

83
**IMPLEMENTATION OF INDIAN
GAMING REGULATORY ACT**

Y 4.R 31/3:103-17/PT.5

Implementation of Indian Gaming Reg...

HEARING

BEFORE THE

SUBCOMMITTEE ON
NATIVE AMERICAN AFFAIRS
OF THE

COMMITTEE ON
NATURAL RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

IMPLEMENTATION OF PUBLIC LAW 100-497, THE INDIAN GAMING
REGULATORY ACT OF 1988, AND RELATED LAW ENFORCEMENT ISSUES

HEARING HELD IN WASHINGTON, DC
OCTOBER 5, 1993

Serial No. 103-17, Part V

Printed for the use of the Committee on Natural Resources



SUPERINTENDENT OF DOCUMENTS
U.S. GOVERNMENT PRINTING OFFICE

FFB 8 1995

BOSTON PUBLIC LIBRARY
JUL 11 1995
JUL 11 1995

IMPLEMENTATION OF INDIAN GAMING REGULATORY ACT

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON
NATIVE AMERICAN AFFAIRS

OF THE

COMMITTEE ON
NATURAL RESOURCES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

IMPLEMENTATION OF PUBLIC LAW 100-497, THE INDIAN GAMING
REGULATORY ACT OF 1988, AND RELATED LAW ENFORCEMENT ISSUES

HEARING HELD IN WASHINGTON, DC
OCTOBER 5, 1993

Serial No. 103-17, Part V

Printed for the use of the Committee on Natural Resources



U.S. GOVERNMENT PRINTING OFFICE

84-760

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-046382-3

COMMITTEE ON NATURAL RESOURCES

GEORGE MILLER, California, *Chairman*

PHILIP R. SHARP, Indiana
EDWARD J. MARKEY, Massachusetts
AUSTIN J. MURPHY, Pennsylvania
NICK JOE RAHALL II, West Virginia
BRUCE F. VENTO, Minnesota
PAT WILLIAMS, Montana
RON DE LUGO, Virgin Islands
SAM GEJDENSON, Connecticut
RICHARD H. LEHMAN, California
BILL RICHARDSON, New Mexico
PETER A. DEFAZIO, Oregon
ENI F.H. FALEOMAVAEGA, American Samoa

DON YOUNG, Alaska, *Ranking Republican Member*

JAMES V. HANSEN, Utah
BARBARA F. VUCANOVICH, Nevada
ELTON GALLEGLY, California
ROBERT F. SMITH, Oregon
CRAIG THOMAS, Wyoming
JOHN J. DUNCAN, Jr., Tennessee
JOEL HEFLEY, Colorado
JOHN T. DOOLITTLE, California
WAYNE ALLARD, Colorado
RICHARD H. BAKER, Louisiana
KEN CALVERT, California
SCOTT MCINNIS, Colorado
RICHARD W. POMBO, California
JAY DICKEY, Arkansas

TIM JOHNSON, South Dakota
LARRY LAROCCO, Idaho
NEIL ABERCROMBIE, Hawaii
CALVIN M. DOOLEY, California
CARLOS ROMERO-BARCELO, Puerto Rico
KARAN ENGLISH, Arizona
KAREN SHEPHERD, Utah
NATHAN DEAL, Georgia
MAURICE D. HINCHEY, New York
ROBERT A. UNDERWOOD, Guam
HOWARD L. BERMAN, California
LANE EVANS, Illinois
PATSY T. MINK, Hawaii
THOMAS J. BARLOW III, Kentucky
THOMAS M. BARRETT, Wisconsin

JOHN LAWRENCE, *Staff Director*

DANIEL WEISS, *Professional Staff Member*

RICHARD MELTZER, *General Counsel*

DANIEL VAL KISH, *Republican Staff Director*

SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

BILL RICHARDSON, New Mexico, *Chairman*

PAT WILLIAMS, Montana
SAM GEJDENSON, Connecticut
ENI F.H. FALEOMAVAEGA, American Samoa
TIM JOHNSON, South Dakota
NEIL ABERCROMBIE, Hawaii
KARAN ENGLISH, Arizona

CRAIG THOMAS, Wyoming, *Ranking Republican Member*

DON YOUNG, Alaska
RICHARD H. BAKER, Louisiana
KEN CALVERT, California

TADD JOHNSON, *Staff Director*

MARIE HOWARD, *Professional Staff Member*

STEVEN J.W. HEELEY, *Counsel*

JUNE LORENZO, *Professional Staff Member*

BARBARA ROBLES, *Clerk*

WILLIAM JOHANSEN, *Staff Assistant*

RICHARD HOUGHTON, *Republican Counsel on Native American Affairs*

CONTENTS

	Page
Hearing held: October 5, 1993	1
Charts submitted by Mr. Richardson:	
1. Share of Gaming HANDLE for Major Types of Gaming, 1991 and 1992	2
2. National Gaming WIN for Major Types of Gaming, 1991 and 1992	4
3. Share of Gaming WIN for Major Types of Gaming, 1991 and 1992	5
Summary of Indian Gaming Regulatory Act	9
"Estimated Financial Trends in National and Indian Gaming: Tables and Charts for a Briefing Book," compiled by Roger Walke, Analyst in American Indian Policy, Government Division, Congressional Research Service	13
Member statements:	
Hon. Bill Richardson	1
Hon. Craig Thomas	32
Hon. Neil Abercrombie	38
Hon. Ken Calvert	38
Hon. Tim Johnson	38
Hon. George Miller	88
Witness statements:	
Hon. Daniel K. Inouye, a U.S. Senator from the State of Hawaii, and Chairman, Senate Committee on Indian Affairs	39
Prepared statement of Senator Inouye	43
Hon. John McCain, a U.S. Senator from the State of Arizona, and Vice Chairman, Senate Committee on Indian Affairs	51
Prepared statement of Paul L. Maloney, Senior Counsel for Policy, Criminal Division, Department of Justice, before Select Committee on Indian Affairs, U.S. Senate, on March 18, 1992	53
Prepared statement of Senator McCain	62
Hon. William J. Hughes, a Representative in Congress from the State of New Jersey	66
Prepared statement of Representative Hughes	70
Hon. Marge Roukema, a Representative in Congress from the State of New Jersey	77
"Was Mob Behind Tribe's Casino," <i>New Jersey Law Journal</i> , September 13, 1993	79
Prepared statement of Representative Roukema	84
Panel consisting of:	
Jim E. Moody, Section Chief, Organized Crime/Drug Operations, Criminal Investigative Division, Federal Bureau of Investigation	101
Prepared statement of Mr. Moody	103
Laurence A. Urgenson, Acting Deputy Assistant Attorney General, Criminal Division, U.S. Department of Justice	113
Prepared statement of Mr. Urgenson	116
David B. Palmer, Deputy Assistant Commissioner for Criminal Investigation, Internal Revenue Service, accompanied by Peter G. Djinis, Director, Office of Financial Management, Department of the Treasury	126
Prepared statement of Mr. Palmer	129
Hon. Robert G. Torricelli, a Representative in Congress from the State of New Jersey	162
Prepared statement of Mr. Torricelli	165
Donald Trump, Chairman and President, Trump Organization, New York, New York	175
Prepared statement of Mr. Trump	178

Witness statements—Continued

Donald Trump, Chairman and President, Trump Organization, New York, New York—Continued

Information submitted to Chairman Richardson from Mr. Trump by letter dated October 25, 1993	189
Transcript of Imus broadcast	243
"Torricelli gambling bill a prize-winning insult" article	248
"The wrong way to fight competition" article	249
Affidavit of Richard M. Milanovich, Chairman, Agua Caliente Band of Cahuilla Indians, and additional documentation	253

Panel consisting of:

Hon. Ada E. Deer, Assistant Secretary of Indian Affairs, Bureau of Indian Affairs, U.S. Department of the Interior, accompanied by Hilda A. Manuel, Director, Indian Gaming Management Staff, and Theodore R. Quasula, Chief, Division of Law Enforcement	270
Prepared statement of Ms. Deer	272
Hon. Anthony J. Hope, Chairman, National Indian Gaming Commission	281
Prepared statement of Mr. Hope	283
Hon. Joel Frank, Commissioner, National Indian Gaming Commission	302
Michael D. Cox, General Counsel, National Indian Gaming Commission, accompanied by Hon. Jana McKeag, Commissioner	304

Panel consisting of:

Timothy Wapato, Executive Director, National Indian Gaming Association	308
Information regarding alleged incident of organized crime on Cabazon Reservation submitted by Mr. Wapato	311
Prepared statement of Mr. Wapato	315
Richard James Elroy, Retired Special Agent, Federal Bureau of Investigation	348
Prepared statement of Mr. Elroy	351
G. Michael Brown, President and CEO, Mashantucket Pequot Nation's Foxwoods Casino and High Stakes Bingo, Ledyard, CT, accompanied by Lt. Col. Robert Root, Connecticut State Police	354
Prepared statement of Mr. Brown	357
"The Economic Impacts of the Foxwoods High Stakes Bingo & Casino on New London County and Surrounding Areas" and additional attachments to Mr. Brown's testimony	367
F. William Johnson, CEO, Mystic Lake Casino, Shakopee Sioux Tribe, Prior Lake, MN, accompanied by Police Chief Dick Powell, City of Prior Lake Police Department	444
Prepared statement of Mr. Johnson	448

APPENDIX

OCTOBER 5, 1993

Additional material submitted for the hearing record from:

Hon. Donald M. Payne, a Representative in Congress from the State of New Jersey: Statement of support for the Ramapough Mountain Indian Tribe	459
Hon. Benjamin A. Gilman, a Representative in Congress from the State of New York: Statement of support for the Ramapough Mountain Indian Tribe	460
Seminole Tribe of Florida: Letter to Chairman Richardson from Hon. James E. Billie, Chairman, dated October 13, 1993	462
Chief Ronald "Redbone" Van Dunk, Chief of the Ramapough Mountain Indians: Prepared statement and attachments	464
George L. Schneider, Counsel to the Ramapough Mountain Indian Tribe: Prepared statement	474
O'Connor & Hannan, Attorneys at Law: Letters regarding Indian gaming and Federal taxation	478
National Governors' Association: Letter to Senators Inouye and McCain dated August 17, 1993	485

IMPLEMENTATION OF PUBLIC LAW 100-497, THE INDIAN GAMING REGULATORY ACT OF 1988, AND RELATED LAW ENFORCEMENT IS- SUES

TUESDAY, OCTOBER 5, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS,
COMMITTEE ON NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to call, at 9:35 a.m., in room 1324, Longworth House Office Building, Hon. Bill Richardson (chairman of the subcommittee), presiding.

STATEMENT OF HON. BILL RICHARDSON

Mr. RICHARDSON. The committee will come to order.

Today we are taking testimony on the implementation of the Indian Gaming Regulatory Act of 1988. This is the fifth in a series of oversight hearings the subcommittee has conducted on this subject.

I have asked that several charts be prepared for the committee by the Congressional Research Service which indicate where Indian gaming stands in relation to other types of legalized gaming nationally.

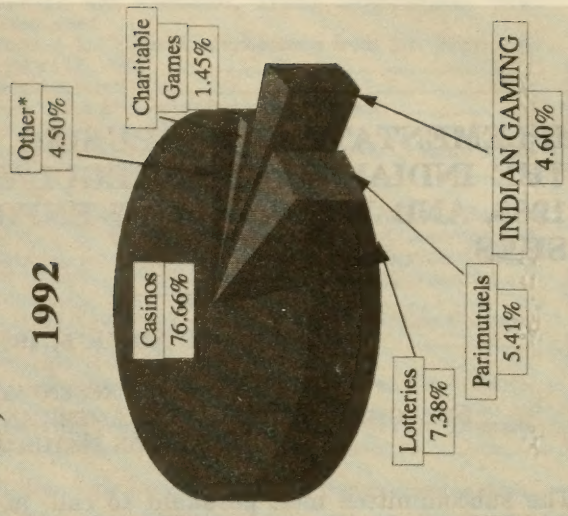
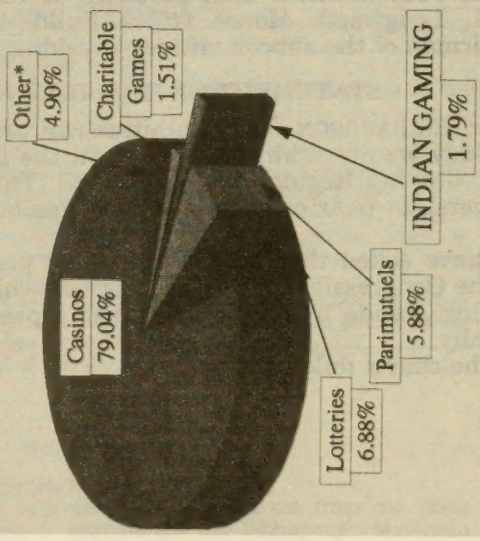
[The charts follow:]

Chart 1

Share of Gaming HANDLE ("Churned" Dollars) for Major Types of Gaming, 1991 and 1992 (Billions of Dollars)

1991

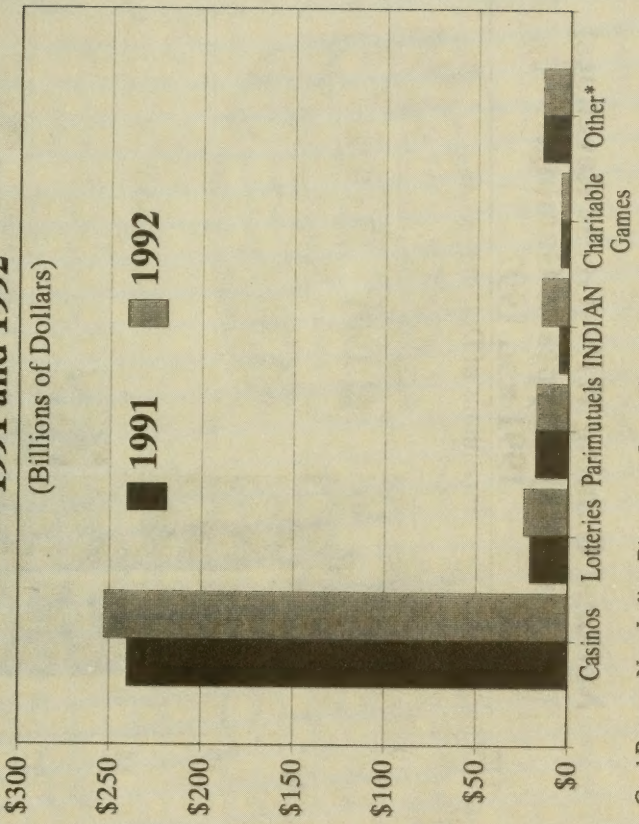
1992



* Other = Card Rooms, Non-Indian Bingo, and Legal Bookmaking
Source: Christianesen/Cummings Assoc., as published in Gaming & Wagering Business.

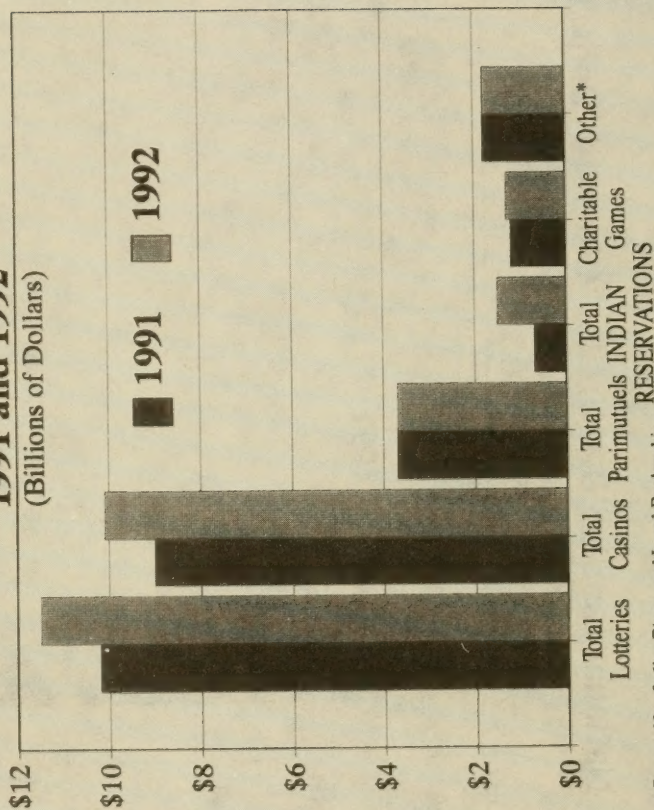
Chart 2

National Gaming HANDLE ("Churned" Dollars) for Major Types of Gaming, 1991 and 1992



* Other= Card Rooms, Non-Indian Bingo, and Legal Bookmaking
Source: Christiansen/Cummings Assoc., as published in Gaming & Wagering Business.

National Gaming WIN (Gross Revenues) for Major Types of Gaming, 1991 and 1992

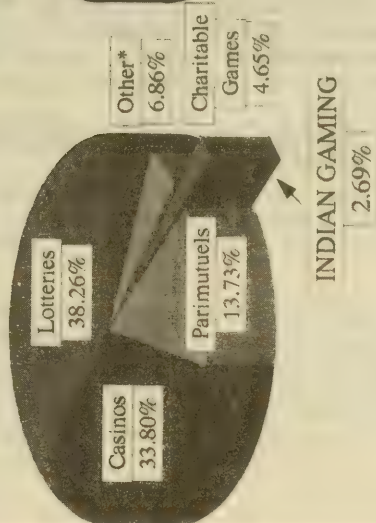


* Other = Card Rooms, Non-Indian Bingo, and Legal Bookmaking
Source: Christiansen/Cummings Assoc., as published in Gaming & Wagering Business.

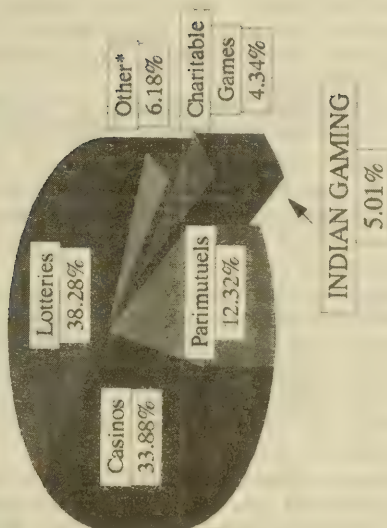
Chart 4

Share of Gaming WIN (Gross Revenues) for Major Types of Gaming, 1991 and 1992

1991



1992



* Other = Card Rooms, Non-Indian Bingo, and Legal Bookmaking
Source: Christiansen/Cummings Assoc., as published in Gaming & Wagering Business.

Mr. RICHARDSON. Chart one, illustrated as a pie, indicates the percentage of "handle." "Handle" means the total of all wagers made. This is the money which is bet and rebet or churned. Each bet, whether the house wins or loses, is added to the "handle." Note that Indian gaming, in blue, is only 4.6 percent of the "handle" in the country while Nevada and Atlantic City-type casinos were at 76 percent in 1992.

Chart 2 shows the amount of "handle" in dollars. In 1992, non-Indian casinos went over \$250 billion in "handle" while Indian gaming establishments were around \$6 billion.

Charts 3 and 4 show the concept of "win." The "win" in gambling means the revenues which go to the gaming facility after the customer winnings are paid out. This is the equivalent to a non-gaming business's gross revenues.

Chart 3 shows that lotteries and casinos combined made in excess of \$20 billion in the "win" category while Indian gaming establishments won slightly over \$1 billion in 1992. Again, as chart 4 shows, the Indian percentage of the "win" is only around 5 percent.

Indian gaming is governmental gaming. All of the revenues go back into the reservations. Many other types of gaming on these charts are for profit.

We have almost 100,000 Indians homeless or underhoused. Native Americans have the shortest lifespan and the highest rates of suicide, tuberculosis, and diabetes. We have an unusual interest in this hearing, and in the efforts of speeding up the proceedings, I am going to insert into the record my statement and background information and urge that our opening statements be relatively of short duration.

[The prepared statement of Mr. Richardson and additional information follow:]

OPENING STATEMENT OF CHAIRMAN RICHARDSON
October 5, 1993

The Committee will come to order.

Today we are taking testimony on the implementation of the Indian Gaming Regulatory Act of 1988. This is the 5th in the series of oversight hearings the Subcommittee has conducted on this subject.

I have asked that several charts have been prepared for the Committee by the Congressional Research Service which indicate where Indian Gaming stands in relation to other types of legalized gaming nationally.

Chart One, illustrated as a pie, indicates the percentage of "handle". "Handle" means the total of all wagers made. This is the money which is bet and rebet or "churned". Each bet, whether the house wins or loses, is added to the "handle". Note that Indian gaming, in blue, is only 4.6% of the handle in the country while Nevada and Atlantic City type casinos were at 76% in 1992. Chart Two shows the amount of "handle" in dollars. In 1992 non-Indian casinos went over \$250 billion in handle while Indian gaming establishments were around \$6 billion.

Charts three and four show the concept of "win". The "win" in gambling means the revenues which go to the gaming facility after the customer winnings are paid out. This is the equivalent to a non-gaming businesses "gross revenues". Chart Three shows that lotteries and casinos combined made in excess of \$20 billion in the "win" category while Indian gaming establishments "won" less slightly over \$1 billion in 1992. Again, as Chart Four shows, the Indian percentage of the win is only around 5%.

Indian gaming is governmental gaming. All of the revenues go back into the reservations. Many of the other types of gaming on these charts are for profit.

Indian gaming is a desperate remedy for a desperate situation. Almost 100,000 Indians are homeless or underhoused. Indians have the shortest life span and the highest rates of suicide, tuberculosis and diabetes. Over half of the people on reservations are unemployed.

On many reservations, Indian gaming has been a way out of the worst poverty in our nation. The gaming revenues are mandated to go back into governmental programs to benefit the Indian people. On the Mille Lacs Reservation in Minnesota last week, a new school was opened. The school was built with gaming dollars and not one penny of federal government assistance. This is what the Act was meant to do. Indian tribes are experiencing a new hope for the future, and a new hope which they have not felt in decades or even centuries.

Many voices speak out vehemently against Indian gaming, but as a tribal leader told me recently, "no one ever objected to the Indians being poor".

Today we will discuss law enforcement issues in Indian gaming. There has been a hysteria surrounding Indian gaming from the beginning. There have been allegations of organized crime and money laundering rampant on reservations. Today, we will hear from the law enforcement agencies charged with regulating Indian gaming and enforcing federal laws on the reservations. We will also hear from tribal witnesses and private parties to get their perspectives on law enforcement issues in Indian gaming.

This Subcommittee is committed to seeking the truth on these matters. These allegations are quite significant and the Committee takes its oversight responsibilities very seriously. If there is criminal activity in these gaming operations, we need to know about it and actively work to put a stop to it. If the level of criminal activity is not as serious as some allege, we must work to ensure that this industry is well regulated and the criminal elements are kept in check. But we must begin by asking the questions - which is our purpose today.

SUMMARY OF THE INDIAN GAMING REGULATORY ACT

On October 17, 1988, the President signed into law the Indian Gaming Regulatory Act, Public Law 100-497, 25 U.S.C. 2701 et seq. The Act provides a system for the regulation of gaming on Indian lands by dividing gaming into three classes, establishing the National Indian Gaming Commission to regulate Class II gaming and authorizing compacts between tribes and states for the regulation of Class III gaming.

Class I Gaming

Class I gaming includes social or traditional gaming which is played in connection with tribal ceremonies or celebrations. Class I gaming is regulated exclusively by the tribes.

Class II Gaming

Class II gaming includes bingo and, if played at the same location as bingo, pull tabs, lotto, punch boards, tip jars, and instant bingo. Class II gaming also includes card games which are authorized by state law or not explicitly prohibited by state law and played at any location in the state. The card games must be played in conformity with state law or regulations regarding hours of operation and pot limits.

A tribe may engage in Class II gaming if the state in which the tribe is located permits such gaming for any purpose by any person, organization or entity. Class II gaming is regulated by the National Indian Gaming Commission and the tribe or solely by the tribe if issued a certificate of self-regulation.

Class III Gaming

Class III gaming includes all gaming not included in Class I or Class II, such as casino-type games, gambling devices, pari-mutuel betting, etc.

Class III gaming is prohibited unless authorized by a tribal-state compact.

Class III Gaming and Tribal-State Compacts

Class III gaming is lawful when it is authorized by a tribal ordinance approved by the chairman of the Commission, is located in a state that permits such gaming (whether for charitable, commercial, or governmental purposes), and is conducted in conformance with a tribal-state compact which has been approved by the Secretary of the Interior.

The Act authorizes an Indian tribe and the state in which the tribe is located to enter a compact governing gaming activities. The compact may include provisions concerning: the application of

tribal or state criminal and civil laws directly related to gaming, the allocation of jurisdiction between the state and the tribe, state assessments to defray the costs of regulating the activity, taxation by the tribe in amounts comparable to state taxation, remedies for breach of contract, standards for the operation and maintenance of the gaming facility, and any other subjects related to the gaming activity.

The state is not authorized to impose a tax or assessment (except assessments that are agreed to) upon a tribe or person authorized by a tribe to conduct a gaming activity. The state cannot refuse to negotiate a compact based on its inability to impose a tax, fee, or other assessment.

The federal districts courts are vested with jurisdiction over: actions by Indian tribes arising from the failure of a state to negotiate with a tribe seeking to enter a compact or to negotiate in good faith, any action by a state or tribe to enjoin a Class III activity which violates the tribal-state compact.

A tribe may initiate an action for failure to negotiate in good faith against a state only after the passage of 180 days from the date the tribe requested the state to enter negotiations for a compact. If the court finds that the tribe has failed to negotiate in good faith, it shall order the state and the tribe to conclude a compact within 60 days.

If the state and the tribe fail to conclude a compact within the 60-day period, the parties are to submit a court-appointed mediator their last best offers for a compact.

The Secretary of the Interior is authorized to approve tribal-state compacts. The Secretary may disapprove a compact if it violates: the Act, any other federal law that does not relate to jurisdiction over Indian gaming, or the trust obligations of the United States to Indians. The compact takes effect once the Secretary publishes a notice in the Federal Register that the compact has been approved.

Gaming on Indian Lands after Enactment

Gaming is prohibited on land acquired by the Secretary in trust for an Indian tribe after the date of enactment of the Act unless: (1) the land is within or contiguous to the tribe's existing reservation boundaries; or (2) if an Oklahoma tribe, the lands are within the tribe's former reservation or the lands are contiguous to other land held in trust or restricted status for that tribe. This prohibition does not apply if the Secretary determines that a gaming facility would be in the best interests of the tribe and its members and would not be detrimental to the local community and the governor of the state concurs with the Secretary's determination. This prohibition also does not apply to

lands: taken in trust as part of a settlement of a land claim, comprising the initial reservation of a tribe federally acknowledged, or restored to a tribe that has been restored to federal recognition.

National Indian Gaming Commission

Composition

The Commission is composed of three full-time members with the Chairman appointed by the President and the other two members appointed by the Secretary of the Interior. Two of the three Commissioners must be members of federally recognized Indian tribes and no more than two members can be of the same political party. The Chairman of the Commission is Anthony J. Hope. The two Commissioners are Jana McKeag and Joel Frank.

Powers of Chairman

The Chairman is empowered to: (1) issue temporary closure orders; (2) levy civil fines; (3) approve tribal gaming ordinances; and (4) approve management contracts. The Chairman is also vested with such powers as the Commission may delegate.

Powers of the Commission

The Commission is vested with the following powers which cannot be delegated: (1) approve the annual budget; (2) adopt regulations for civil fines; (3) adopt an annual schedule of fees; (4) authorize Chairman to issue subpoenas; and (5) permanently close a gaming activity.

The Commission is vested with the following additional powers: (1) monitor gaming activities; (2) inspect gaming premises; (3) conduct background investigations; (4) inspect records related to gaming; (5) use the U.S. mails; (6) procure supplies; (7) enter into contracts; (8) hold hearings; (9) administer oaths, and (10) promulgate regulations.

Tribal Self-Regulation

A tribe may petition the Commission for a certificate of self-regulation if it has been engaged in a Class II activity continuously for a three-year period with at least one of the years being after the date of enactment of the Act and has otherwise complied with the Act. The Commission may issue the certificate if it is satisfied that the tribe has:

(1) conducted the gaming activity in a manner that has resulted in an honest accounting of all revenues, has a reputation for a safe and honest operation, and is generally free of evidence of criminal or dishonest activity;

(2) adopted and is implementing an adequate system for: accounting of revenues, investigation, licensing, and monitoring of employees, and investigation, enforcement, and prosecution for violations of its gaming laws; and

(3) conducted the gaming activity on a fiscally sound basis.

Management Contracts

The Chairman may approve a management contract if it provides: (1) adequate accounting procedures; (2) access by tribal officials to the gaming operations in order to verify the daily gross revenues and income; (3) a minimum guaranteed payment to the tribe that has preference over the retirement of development and construction costs; (4) a ceiling for the repayment of such costs; (5) a maximum term of 5 years or, at tribal request, 7 years; and (6) grounds and procedures for terminating the contract.

The management fee cannot exceed 30 percent of the net revenues unless the tribe requests a higher percentage. The Chairman may approve a higher percentage, not to exceed 40 percent, if a higher percentage is justified based on the capital investment and projected income.

All existing ordinances and management contracts, whether or not approved by the Secretary, must be submitted to the Chairman.

Commission Funding

The Commission is authorized to assess each game a fee which is based on a sliding fee scale from one-half of one percent to two and one-half percent on the first \$1,500,000 of gross revenues and up to five percent of amounts over \$1,500,000. The total amount of fees which the Commission can assess in any fiscal year is limited to \$1,500,000. The Commission is authorized to request appropriations in an amount equal to the annual assessment. Section 8. Thus, the commission's annual budget cannot exceed \$3,000,000 (\$1,500,000 from assessments and \$1,500,000 from appropriations). There is authorized to be appropriated in an amount not to exceed \$2,000,000 for the first fiscal year.



Congressional Research Service • The Library of Congress • Washington, D.C. 20540-7000

**ESTIMATED FINANCIAL TRENDS IN
NATIONAL AND INDIAN GAMING:
Tables and Charts for a Briefing Book**

**Compiled by Roger Walke
Analyst in American Indian Policy
Government Division
October 4, 1993**

Table 1. Estimated National Legal Gaming HANDLE ("Churned" Dollars), by Type of Gaming, 1982-1992

	1982	1983	1984	1985	1986	1987
Parimutuels						
Horses - Track	\$9,990,628,572	\$9,932,179,426	\$10,417,568,960	\$10,486,397,544	\$10,481,685,728	\$11,007,987,415
Horses - OTB	\$1,707,271,903	\$1,716,986,659	\$1,766,482,790	\$1,763,860,978	\$1,938,990,563	\$2,104,253,896
Horses - Subtotal	\$11,697,900,475	\$11,648,166,085	\$12,183,071,750	\$12,240,248,522	\$12,420,676,291	\$13,112,241,310
Greyhounds - Track	\$2,208,551,898	\$2,325,846,934	\$2,451,385,751	\$2,698,934,362	\$3,009,193,413	\$3,190,892,987
Greyhounds - OTB	--	\$551,369	\$5,531,848	\$4,423,618	\$9,420,251	\$12,428,724
Greyhounds - Subtotal	\$2,208,551,898	\$2,326,398,303	\$2,456,917,599	\$2,703,357,980	\$3,018,613,664	\$3,203,321,721
Jai-alai	\$622,782,363	\$619,804,391	\$665,869,006	\$663,968,272	\$667,375,369	\$707,507,464
Total - Parimutuels	\$14,529,234,736	\$14,594,367,779	\$15,305,858,355	\$15,607,574,774	\$16,106,865,324	\$17,023,070,495
Lotteries						
All Other Games	--	--	--	--	--	--
Video Lotteries	--	--	--	--	--	--
Total - Lotteries	\$4,088,300,000	\$5,171,200,000	\$8,132,500,000	\$10,213,280,000	\$12,479,720,000	\$13,140,292,000
Casinos						
NV/NJ Slot Machines	\$14,400,000,000	\$18,800,000,000	\$23,792,860,563	\$26,182,148,083	\$28,503,598,369	\$32,794,253,951
NV/NJ Table Games	\$87,000,000,000	\$87,200,000,000	\$82,868,783,645	\$99,557,539,436	\$101,438,240,154	\$112,043,911,391
Cruise Ships	--	--	--	--	--	--
Riverboats	--	--	--	--	--	--
Other Commercial Casinos*	--	--	--	--	--	--
Non-Casino Gaming Devices**	--	--	--	--	--	--
Total - Casinos	\$101,400,000,000	\$106,000,000,000	\$116,661,644,208	\$125,739,687,519	\$129,941,838,523	\$144,838,165,342
Legal Bookmaking						
Sportsbooks	\$415,161,691	\$692,019,766	\$929,114,798	\$885,857,210	\$898,939,394	\$1,014,319,728
Horsebooks	\$122,809,048	\$160,325,188	\$184,367,232	\$243,249,092	\$290,180,529	\$365,564,356
Total - Legal Bookmaking	\$537,970,939	\$852,344,944	\$1,113,482,030	\$1,129,106,302	\$1,189,119,923	\$1,379,884,084
Card Rooms	\$1,000,000,000	\$1,052,000,000	\$1,065,000,000	\$1,096,950,000	\$1,118,889,000	\$3,125,000,000
Bingo [other than on Indian reservations]	\$3,000,000,000	\$3,070,000,000	\$3,154,118,000	\$3,437,988,620	\$3,599,574,085	\$3,977,169,407
Charitable Games	\$1,200,000,000	\$1,400,000,000	\$1,540,000,000	\$1,681,680,000	\$1,789,307,520	\$2,002,950,838
Indian Reservations						
Class II	--	--	--	--	--	--
Class III	--	--	--	--	--	--
Total - Indian Res.	--	--	--	\$250,000,000	\$286,714,286	\$314,286,714
TOTAL LEGAL	\$125,755,505,675	\$132,139,912,723	\$146,972,602,593	\$159,166,267,216	\$166,511,028,661	\$185,800,817,880

Source: Annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 1. Estimated National Legal Gaming HANDLE ("Churned" Dollars), by Type of Gaming, 1982-1992

	1988	1989	1990	1991	1992
Parimutuels					
Horses - Track	\$11,181,073,866	\$10,512,506,882	\$10,414,964,567	\$9,863,556,679	\$9,533,550,092
Horses - OTB	\$2,487,088,621	\$3,417,069,719	\$3,721,698,942	\$4,028,593,038	\$4,577,705,686
Horses - Subtotal	\$13,668,162,387	\$13,929,576,601	\$14,136,663,499	\$13,892,149,717	\$14,111,255,778
Greyhounds - Track	\$3,246,422,210	\$3,183,112,602	\$3,438,744,803	\$3,463,487,796	\$3,242,150,854
Greyhounds - OTB	\$16,550,285	\$28,571,564	\$26,886,216	\$38,898,771	\$62,229,466
Greyhounds - Subtotal	\$3,262,972,495	\$3,211,684,166	\$3,465,631,018	\$3,502,386,567	\$3,304,380,320
Jai-alsi	\$639,224,435	\$552,746,477	\$555,627,881	\$488,368,157	\$425,890,129
Total - Parimutuels	\$17,570,359,317	\$17,694,007,244	\$18,157,912,398	\$17,882,904,441	\$17,841,526,227
Lotteries					
All Other Games	--	--	\$20,734,834,000	\$20,678,640,000	\$23,035,474,000
Video Lotteries	--	--	\$281,946,000	\$354,842,000	\$1,326,353,000
Total - Lotteries	\$17,051,880,000	\$19,488,330,000	\$21,016,780,000	\$20,933,482,000	\$24,361,827,000
Casinos					
NV/NJ Slot Machines	\$57,667,092,555	\$66,790,588,454	\$76,166,508,629	\$84,399,462,227	\$94,557,329,008
NV/NJ Table Games	\$126,295,623,085	\$127,774,754,003	\$161,638,695,232	\$149,744,002,493	\$143,100,618,677
Cruise Ships	--	\$1,762,500,000	\$3,708,295,000	\$4,076,675,000	\$4,280,508,750
Riverboats	--	--	--	\$1,099,431,451	\$7,319,681,498
Other Commercial*	--	\$23,141,217	\$384,667,261	\$771,022,759	\$3,078,234,749
Non-Casino Devices**	\$230,000,000	\$249,874,874	\$306,800,000	\$363,603,125	\$557,447,916
Total - Casinos	\$184,192,716,740	\$196,600,858,648	\$242,204,956,122	\$240,468,097,055	\$262,893,820,498
Legal Bookmaking					
Sportbooks	\$1,317,304,075	\$1,434,952,978	\$1,672,279,893	\$1,871,063,066	\$1,800,782,918
Horsebooks	\$414,563,172	\$403,178,763	\$483,630,637	\$392,124,903	\$307,512,279
Total - Legal Bookmaking	\$1,731,867,247	\$1,838,131,741	\$2,155,910,530	\$2,263,187,969	\$2,108,295,197
Card Rooms	\$3,453,125,000	\$7,564,918,000	\$8,378,107,000	\$8,399,639,000	\$8,428,085,000
Bingo [other than on Indian reservations]	\$3,670,167,867	\$3,794,482,915	\$4,071,613,000	\$4,230,164,000	\$4,306,214,000
Charitable Games	\$3,581,133,231	\$4,222,352,352	\$4,467,407,000	\$4,606,898,000	\$4,774,841,000
Indian Reservations					
Class II	--	--	\$1,294,000,000	\$1,397,500,000	\$1,430,000,000
Class III	--	--	\$1,346,100,000	\$4,038,250,000	\$13,744,500,000
Total -- Indian Res.	\$345,714,286	\$1,000,000,000	\$2,640,100,000	\$5,435,750,000	\$15,174,500,000
TOTAL LEGAL	\$231,596,962,688	\$251,203,080,800	\$303,092,696,050	\$304,204,122,485	\$329,889,108,922

Source: Annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1992, and July 15-Aug. 14, 1993, issue. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 2. Changes in National Legal Gaming HANDLE ("Churned" Dollars), by Type of Gaming, 1982-1992 and 1985-1992

	Overall Percent Change: 1982 to 1992	Average Annual Percent Change: 1982 to 1992	Overall Percent Change: 1985 (or later year) to 1992	Average Annual Percent Change: 1985 (or later year) to 1992
Parimutuels				
Horses - Track	-4.58%	-0.47%	-9.09%	-1.35%
Horses - OTB	168.13%	10.37%	161.01%	14.69%
Horses - Subtotal	20.63%	1.89%	15.29%	2.05%
Greyhounds - Track	46.80%	3.91%	20.13%	2.65%
Greyhounds - OTB	11,186.36%	69.07%	1,306.75%	45.89%
Greyhounds - Subtotal	49.62%	4.11%	22.23%	2.91%
Jai-alai	-31.61%	-3.73%	-35.86%	-6.15%
Total - Parimutuels	22.80%	2.07%	14.31%	1.93%
Lotteries				
All Other Games	—	—	11.10%	5.40%
Video Lotteries	—	—	370.43%	116.89%
Total - Lotteries	495.89%	19.54%	138.53%	13.22%
Casinos				
NV/NJ Slot Machines	556.66%	20.71%	261.15%	20.14%
NV/NJ Table Games	64.48%	5.10%	43.74%	5.32%
Cruise Ships	—	—	142.87%	34.42%
Riverboats	—	—	565.77%	565.77%
Other Commercial Casinos*	—	—	13,201.96%	410.47%
Non-Casino Gaming Devices**	—	—	142.37%	24.77%
Total - Casinos	149.40%	9.57%	101.12%	10.50%
Legal Bookmaking				
Sportbooks	333.75%	15.80%	103.28%	10.67%
Horsebooks	150.40%	9.61%	26.42%	3.41%
Total - Legal Bookmaking	291.90%	14.64%	86.72%	9.33%
Card Rooms	742.81%	23.76%	668.32%	33.82%
Bingo (other than on Indian reservations)	43.54%	3.68%	25.25%	3.27%
Charitable Games	237.39%	14.81%	183.93%	16.08%
Indian Reservations				
Class II	—	—	10.51%	5.12%
Class III	—	—	921.06%	219.54%
Total - Indian Res.	—	—	5,969.80%	79.78%
TOTAL LEGAL	162.33%	10.12%	107.27%	10.97%

Source: Calculated by CRS from annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 3. Each Gaming Type's Share of National Legal Gaming HANDLE ("Churned" Dollars), 1982-1992

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Parimutuels											
Horses - Track	7.94%	7.52%	7.09%	6.59%	6.29%	5.92%	4.83%	4.18%	3.44%	3.24%	2.89%
Horses - OTB	1.36%	1.30%	1.20%	1.10%	1.16%	1.13%	1.07%	1.36%	1.23%	1.32%	1.39%
Horses - Subtotal	9.30%	8.82%	8.29%	7.69%	7.46%	7.06%	5.90%	5.55%	4.66%	4.57%	4.28%
Greyhounds - Track	1.76%	1.76%	1.67%	1.70%	1.81%	1.72%	1.40%	1.27%	1.13%	1.14%	0.98%
Greyhounds - OTB	—	—	—	—	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%
Greyhounds - Subtotal	1.76%	1.76%	1.67%	1.70%	1.81%	1.72%	1.41%	1.28%	1.14%	1.15%	1.00%
Jai-alai	0.50%	0.47%	0.45%	0.42%	0.40%	0.38%	0.28%	0.22%	0.18%	0.16%	0.13%
Total - Parimutuels	11.55%	11.04%	10.41%	9.81%	9.67%	9.16%	7.59%	7.04%	5.99%	5.88%	5.41%
Total - Lotteries	3.25%	3.91%	5.53%	6.42%	7.49%	7.07%	7.36%	7.76%	6.93%	6.88%	7.38%
Casinos											
NV/NJ Slot Machines	11.45%	14.23%	16.19%	16.45%	17.12%	17.65%	24.90%	26.19%	25.13%	27.74%	28.66%
NV/NJ Table Games	69.18%	65.99%	63.19%	62.55%	60.92%	60.30%	54.53%	50.87%	53.33%	49.23%	43.38%
Cruise Ships	—	—	—	—	—	—	—	0.70%	1.22%	1.34%	1.30%
Riverboats	—	—	—	—	—	—	—	—	—	0.36%	2.22%
Other Commercial	—	—	—	—	—	—	—	0.01%	0.13%	0.25%	0.93%
Non-Casino Devices	—	—	—	—	—	—	0.10%	0.10%	0.10%	0.12%	0.17%
Total - Casinos	80.63%	80.22%	79.38%	79.00%	78.04%	77.95%	79.53%	77.87%	79.91%	79.04%	76.66%
Legal Bookmaking											
Sportsbooks	0.33%	0.52%	0.63%	0.56%	0.54%	0.55%	0.57%	0.57%	0.55%	0.62%	0.55%
Horsebooks	0.10%	0.12%	0.13%	0.15%	0.17%	0.20%	0.18%	0.16%	0.16%	0.13%	0.09%
Total - Legal Bookmaking	0.43%	0.65%	0.76%	0.71%	0.71%	0.74%	0.75%	0.73%	0.71%	0.74%	0.64%
Card Rooms	0.80%	0.80%	0.72%	0.69%	0.67%	1.68%	1.49%	3.01%	2.76%	2.76%	2.55%
Bingo [other than on Indian reservations]	2.39%	2.32%	2.15%	2.16%	2.16%	2.14%	1.58%	1.51%	1.34%	1.39%	1.31%
Charitable Games	0.95%	1.06%	1.05%	1.06%	1.07%	1.08%	1.55%	1.68%	1.47%	1.51%	1.45%
Total — Indian Reservations	—	—	—	0.16%	0.17%	0.17%	0.15%	0.40%	0.87%	1.79%	4.60%
TOTAL LEGAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Calculated by CRS from annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 4. Estimated National Legal Gaming WIN (Gross Revenues), by Type of Gaming, 1982-1992

	1982	1983	1984	1985	1986	1987
Parimutuels						
Horses - Track	\$1,850,000,000	\$1,857,318,000	\$1,948,089,136	\$1,980,880,496	\$1,979,990,434	\$2,176,201,111
Horses - OTB	\$400,000,000	\$401,540,644	\$408,916,009	\$409,267,268	\$462,560,397	\$482,226,768
Horses - Subtotal	\$2,250,000,000	\$2,258,858,644	\$2,357,005,145	\$2,390,147,764	\$2,432,550,831	\$2,658,427,879
Greyhounds - Track	\$430,000,000	\$453,540,152	\$478,020,221	\$526,292,201	\$586,792,716	\$620,947,777
Greyhounds - OTB	--	\$0	\$1,051,061	\$640,487	\$1,789,848	\$2,423,369
Greyhounds - Subtotal	\$430,000,000	\$453,540,152	\$479,071,272	\$527,132,688	\$588,582,564	\$623,371,146
Jai-alai	\$112,000,000	\$111,564,790	\$122,090,012	\$129,384,980	\$130,108,421	\$137,751,703
Total - Parimutuels	\$2,792,000,000	\$2,823,963,586	\$2,958,166,429	\$3,046,665,432	\$3,151,241,816	\$3,419,550,728
Lotteries						
All Other Games	--	--	--	--	--	--
Video Lotteries	--	--	--	--	--	--
Total - Lotteries	\$2,170,000,000	\$3,044,000,000	\$4,147,575,000	\$5,208,772,800	\$6,334,406,359	\$6,581,972,263
Casinos						
NV/NJ Slot Machines	\$2,000,000,000	\$2,358,000,000	\$2,647,333,012	\$2,904,619,182	\$3,153,117,000	\$3,584,828,000
NV/NJ Table Games	\$2,200,000,000	\$2,252,000,000	\$2,400,194,798	\$2,543,614,412	\$2,590,901,883	\$2,811,011,000
Cruise Ships	--	--	--	--	--	--
Riverboats	--	--	--	--	--	--
Other Commercial Casinos*	--	--	--	--	--	--
Non-Casino Gaming Devices**	--	--	--	--	--	--
Total - Casinos	\$4,200,000,000	\$4,610,000,000	\$5,047,527,810	\$5,448,233,594	\$5,744,018,883	\$6,396,839,000
Legal Bookmaking						
Sportbooks	\$7,724,862	\$19,250,974	\$21,534,417	\$21,947,393	\$35,598,000	\$29,821,000
Horsebooks	\$18,037,686	\$24,262,825	\$31,212,619	\$39,056,828	\$45,007,000	\$56,383,000
Total - Legal Bookmaking	\$25,762,547	\$43,513,799	\$52,747,036	\$61,004,221	\$80,605,000	\$86,204,000
Card Rooms	\$50,000,000	\$52,000,000	\$53,250,000	\$54,847,500	\$55,944,450	\$250,000,000
Bingo [other than on Indian reservations]	\$780,000,000	\$798,000,000	\$817,862,797	\$910,035,688	\$941,648,581	\$894,863,117
Charitable Games	\$396,000,000	\$464,000,000	\$539,000,000	\$582,000,000	\$505,837,236	\$574,846,891
Indian Reservations						
Class II	--	--	--	--	--	--
Class III	--	--	--	--	--	--
Total - Indian Reservations	--	--	--	\$87,500,000	\$100,000,000	\$110,000,000
TOTAL LEGAL	\$10,413,762,547	\$11,835,477,385	\$13,616,129,072	\$15,399,059,135	\$16,913,702,325	\$18,312,275,999

Source: Annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.
 ** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.
 OTB = Off-Track Betting

Table 4. Estimated National Legal Gaming WIN (Gross Revenues), by Type of Gaming, 1982-1992

	1988	1989	1990	1991	1992
Parimutuels					
Horses - Track	\$2,252,497,269	\$2,089,381,419	\$2,090,342,567	\$1,975,451,169	\$1,938,309,121
Horses - OTB	\$509,750,996	\$734,302,421	\$806,503,403	\$865,005,296	\$969,562,063
Horses - Subtotal	\$2,762,248,265	\$2,823,683,840	\$2,896,845,969	\$2,840,456,464	\$2,908,871,184
Greyhounds - Track	\$625,017,715	\$627,243,054	\$691,774,030	\$701,246,641	\$675,367,175
Greyhounds - OTB	\$3,231,734	\$5,427,066	\$5,087,339	\$7,416,330	\$12,711,225
Greyhounds - Subtotal	\$628,249,449	\$632,670,120	\$696,861,369	\$708,662,971	\$688,078,400
Jai-alai	\$124,187,617	\$107,766,036	\$113,131,525	\$100,343,331	\$89,264,492
Total — Parimutuels	\$3,514,685,331	\$3,564,119,995	\$3,706,838,854	\$3,649,462,766	\$3,686,214,076
Lotteries					
All Other Games	—	—	\$10,192,418,000	\$10,105,539,000	\$11,214,733,000
Video Lotteries	—	—	\$96,462,000	\$121,842,000	\$242,230,000
Total — Lotteries	\$8,423,628,720	\$9,599,350,000	\$10,288,880,000	\$10,227,381,000	\$11,456,963,000
Casinos					
NV/NJ Slot Machines	\$4,006,823,000	\$4,350,125,000	\$4,890,301,000	\$5,242,299,000	\$5,630,586,443
NV/NJ Table Games	\$3,054,030,000	\$3,103,516,000	\$3,412,892,000	\$3,200,968,000	\$3,120,137,399
Cruise Ships	—	\$170,000,000	\$260,759,000	\$290,887,000	\$305,431,350
Riverboats	—	—	—	\$79,685,780	\$418,021,561
Other Commercial Casinos*	—	\$2,140,293	\$31,972,406	\$63,912,237	\$224,300,143
Non-Casino Gaming Devices**	\$95,770,000	\$107,443,693	\$132,613,300	\$157,680,407	\$242,172,466
Total — Casinos	\$7,156,623,000	\$7,733,224,986	\$8,728,537,706	\$9,036,432,424	\$10,140,649,362
Legal Bookmaking					
Sportbooks	\$42,022,000	\$45,775,000	\$48,799,000	\$52,300,000	\$50,602,000
Horsebooks	\$61,687,000	\$59,993,000	\$76,455,857	\$66,079,878	\$46,799,000
Total — Legal Bookmaking	\$103,709,000	\$105,768,000	\$125,254,857	\$107,379,878	\$97,401,000
Card Rooms	\$276,250,000	\$695,610,064	\$667,593,000	\$659,114,000	\$660,811,000
Bingo [other than on Indian reservations]	\$1,055,103,272	\$947,600,235	\$1,019,194,000	\$1,054,613,000	\$1,090,944,000
Charitable Games	\$712,409,554	\$1,114,337,878	\$1,194,044,000	\$1,230,120,000	\$1,298,949,000
Indian Reservations					
Class II	—	—	\$388,200,000	\$419,250,000	\$429,000,000
Class III	—	—	\$100,300,000	\$300,900,000	\$1,069,940,000
Total — Indian Reservations	\$121,000,000	\$300,000,000	\$488,500,000	\$720,150,000	\$1,498,940,000
TOTAL LEGAL	\$21,363,408,677	\$23,959,821,159	\$26,208,842,416	\$26,683,653,068	\$29,930,871,438

Source: Annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 5. Changes in National Legal Gaming WIN (Gross Revenues), by Type of Gaming, 1982-1992 and 1985-1992

	Overall Percent Change: 1982 to 1992	Annual Average Percent Change: 1982 to 1992	Overall Percent Change: 1985 (or later year) to 1992	Average Annual Percent Change: 1985 (or later year) to 1992
Parimutuels				
Horses - Track	4.83%	0.47%	-2.10%	-0.30%
Horses - OTB	142.39%	9.26%	136.90%	13.11%
Horses - Subtotal	29.28%	2.60%	21.70%	2.85%
Greyhounds - Track	57.06%	4.62%	28.33%	3.63%
Greyhounds - OTB	1,109.38%	36.56%	1,412.36%	47.41%
Greyhounds - Subtotal	60.02%	4.81%	30.53%	3.88%
Jai-alai	-20.30%	-2.24%	-31.01%	-5.16%
Total -- Parimutuels	32.03%	2.82%	20.99%	2.76%
Lotteries				
All Other Games	—	--	10.03%	4.90%
Video Lotteries	—	—	151.11%	58.47%
Total -- Lotteries	427.97%	18.10%	119.96%	11.92%
Casinos				
NV/NJ Slot Machines	191.53%	11.29%	100.73%	10.47%
NV/NJ Table Games	41.82%	3.56%	22.67%	2.96%
Cruise Ships	—	—	79.67%	21.57%
Riverboats	—	—	424.59%	424.59%
Other Commercial Casinos*	—	—	10,379.88%	371.47%
Non-Casino Gaming Devices**	—	—	152.87%	26.10%
Total -- Casinos	141.44%	9.21%	86.13%	9.28%
Legal Bookmaking				
Sportbooks	555.05%	20.68%	130.56%	12.67%
Horsebooks	159.45%	10.00%	19.82%	2.62%
Total -- Legal Bookmaking	278.07%	14.22%	59.66%	6.91%
Card Rooms	1,221.62%	29.45%	1,104.82%	42.70%
Bingo [other than on Indian reservations]	39.86%	3.41%	19.88%	2.62%
Charitable Games	228.72%	12.61%	123.19%	12.15%
Indian Reservations				
Class II	—	—	10.51%	5.12%
Class III	—	—	966.74%	226.51%
Total -- Indian Reservations	—	—	1,613.07%	50.06%
TOTAL LEGAL	187.42%	11.14%	94.37%	9.96%

Source: Calculated by CRS from annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

OTB = Off-Track Betting

Table 6. Each Gaming Type's Share of National Legal Gaming WIN (Gross Revenues), 1982-1992

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Parimutuels											
Horses - Track	17.76%	15.69%	14.31%	12.86%	11.71%	11.88%	10.54%	8.72%	7.98%	7.45%	6.48%
Horses - OTB	3.84%	3.39%	3.00%	2.66%	2.68%	2.63%	2.39%	3.06%	3.08%	3.22%	3.24%
Horses — Subtotal	21.61%	19.09%	17.31%	15.52%	14.38%	14.52%	12.93%	11.79%	11.05%	10.66%	9.72%
Greyhounds - Track	4.13%	3.83%	3.51%	3.42%	3.47%	3.39%	2.93%	2.62%	2.64%	2.66%	2.26%
Greyhounds - OTB			0.01%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.03%	0.04%
Greyhounds — Subtotal	4.13%	3.83%	3.52%	3.42%	3.48%	3.40%	2.94%	2.64%	2.66%	2.69%	2.30%
Jai-alai	1.08%	0.94%	0.90%	0.84%	0.77%	0.75%	0.58%	0.45%	0.43%	0.38%	0.30%
Total — Parimutuels	26.81%	23.86%	21.73%	19.78%	18.63%	18.67%	16.45%	14.88%	14.14%	13.73%	12.32%
Total — Lotteries	20.84%	25.72%	30.46%	33.83%	37.45%	35.94%	39.43%	40.06%	39.26%	38.26%	38.28%
Casinos											
NV/NJ Slot Machines	19.21%	19.92%	19.44%	18.86%	18.64%	19.58%	18.76%	18.16%	18.66%	19.61%	19.48%
NV/NJ Table Games	21.13%	19.03%	17.63%	16.52%	15.32%	15.35%	14.30%	12.95%	13.02%	11.98%	10.42%
Cruise Ships	—	—	—	—	—	—	—	0.71%	0.99%	1.09%	1.02%
Riverboats	—	—	—	—	—	—	—	—	—	0.30%	1.40%
Other Commercial Casinos*	—	—	—	—	—	—	—	0.01%	0.12%	0.24%	0.75%
Non-Casino Gaming Devices**	—	—	—	—	—	—	0.45%	0.45%	0.51%	0.59%	0.81%
Total — Casinos	40.33%	38.95%	37.07%	35.38%	33.96%	34.93%	33.50%	32.28%	33.30%	33.80%	33.88%
Legal Bookmaking											
Sportsbooks	0.07%	0.16%	0.16%	0.14%	0.21%	0.16%	0.20%	0.19%	0.19%	0.20%	0.17%
Horsebooks	0.17%	0.21%	0.23%	0.25%	0.27%	0.30%	0.29%	0.25%	0.29%	0.21%	0.16%
Total — Legal Bookmaking	0.25%	0.37%	0.39%	0.40%	0.48%	0.47%	0.49%	0.44%	0.48%	0.40%	0.33%
Card Rooms	0.48%	0.44%	0.39%	0.36%	0.33%	1.37%	1.29%	2.49%	2.51%	2.47%	2.21%
Bingo [other than on Indian reservations]	7.49%	6.74%	6.01%	5.91%	5.57%	4.89%	4.94%	3.95%	3.89%	3.99%	3.64%
Charitable Games	3.80%	3.92%	3.96%	3.78%	2.99%	3.14%	3.33%	4.65%	4.56%	4.65%	4.34%
Total — Indian Reservations	—	—	—	0.57%	0.59%	0.60%	0.57%	1.25%	1.86%	2.69%	5.01%
TOTAL LEGAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

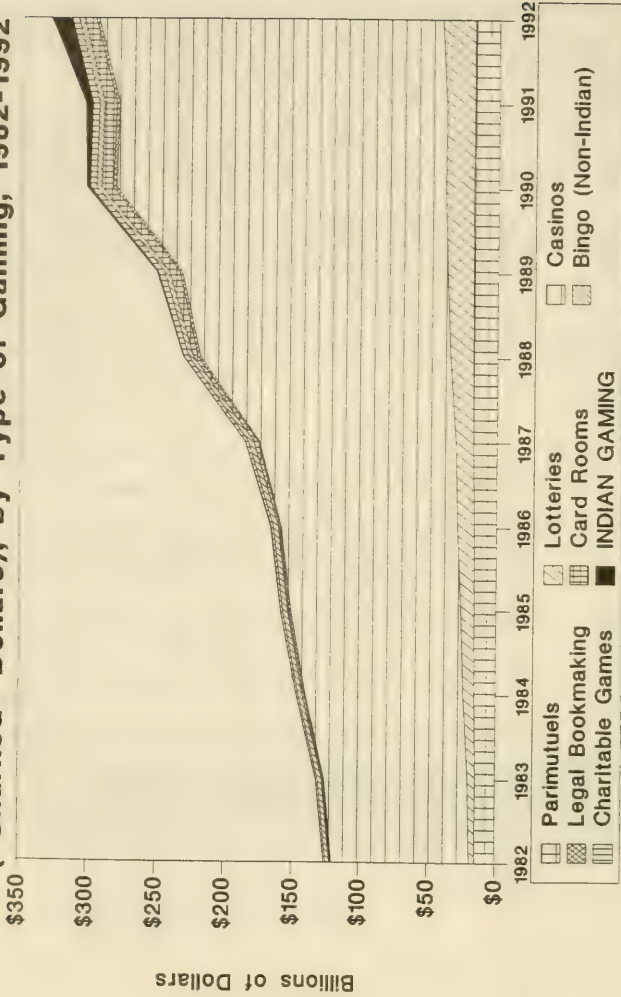
Source: Calculated by CRS from annual estimates prepared by Christiansen/Cummings Associates, Inc., for *Gaming & Wagering Business* magazine's July 15-Sept. 14 issues, 1989-1993. Most recently revised figures used.

Notes: * "Other Commercial Casinos" includes all commercial land-based casinos that are not in Nevada or New Jersey and are not on Indian reservations. Examples of such casinos are those in Deadwood, SD, and in certain towns in Colorado.

** "Non-Casino Gaming Devices" includes gaming devices in State-regulated non-casino establishments such as bars, restaurants, stores, etc.

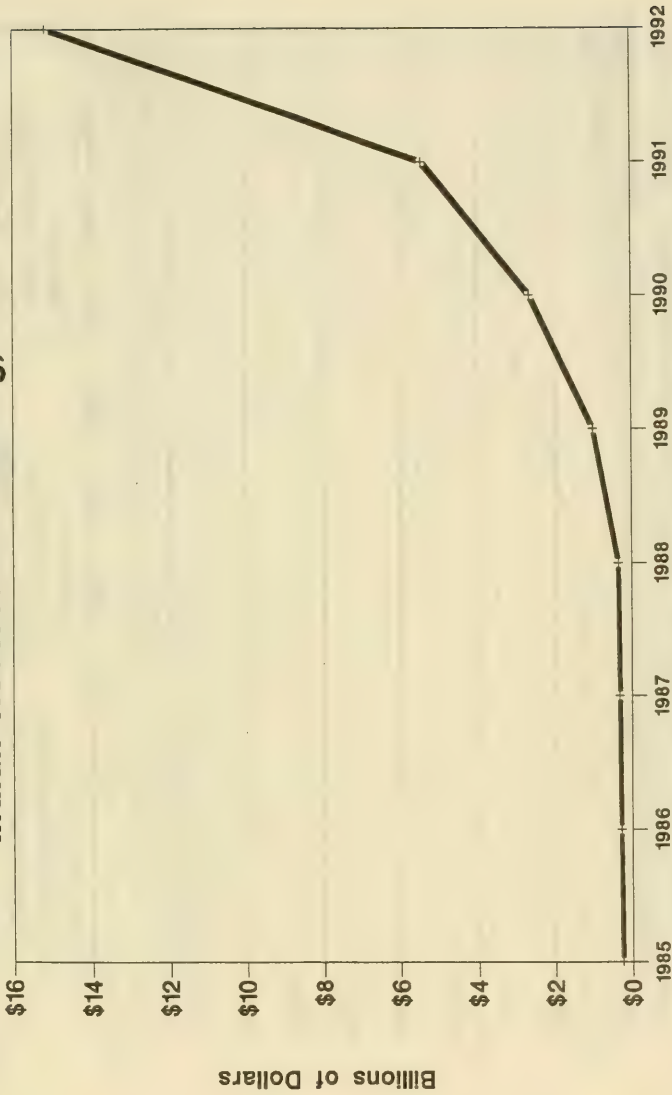
OTB = Off-Track Betting

**Graph 1. Estimated National Gaming HANDLE
("Churned" Dollars), by Type of Gaming, 1982-1992**



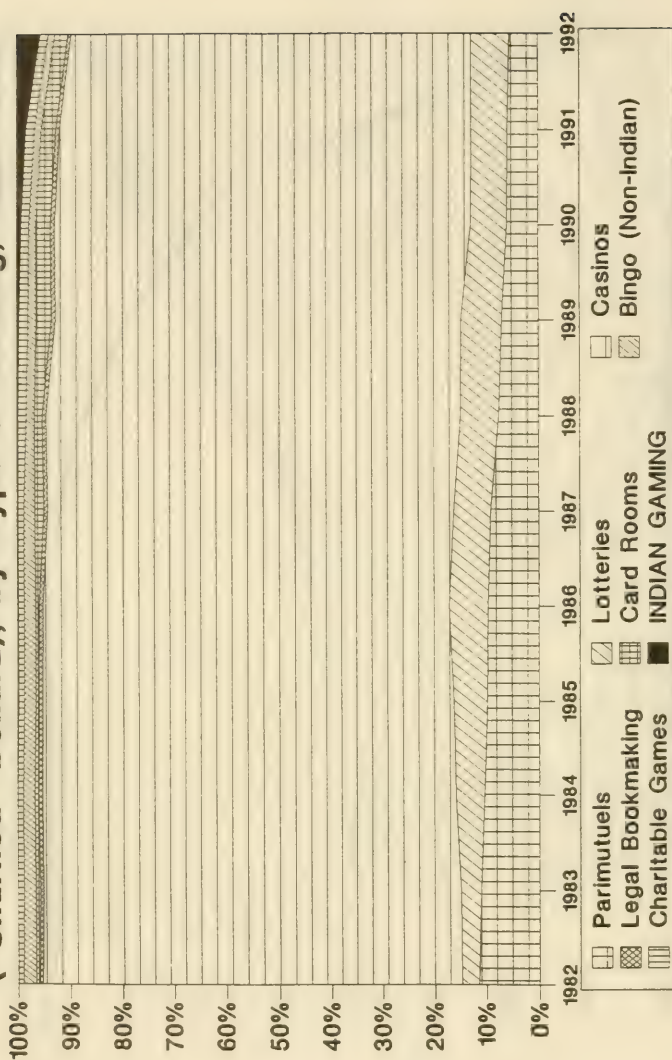
SOURCE: U.S. industry estimates compiled by Christiansen/Cummings Assocs. for "Gaming & Wagering Business," July-Sept. issues, 1989-1993.

**Graph 2. Estimated HANDLE ("Churned" Dollars) of
Indian Reservation Gaming, 1985-1992**



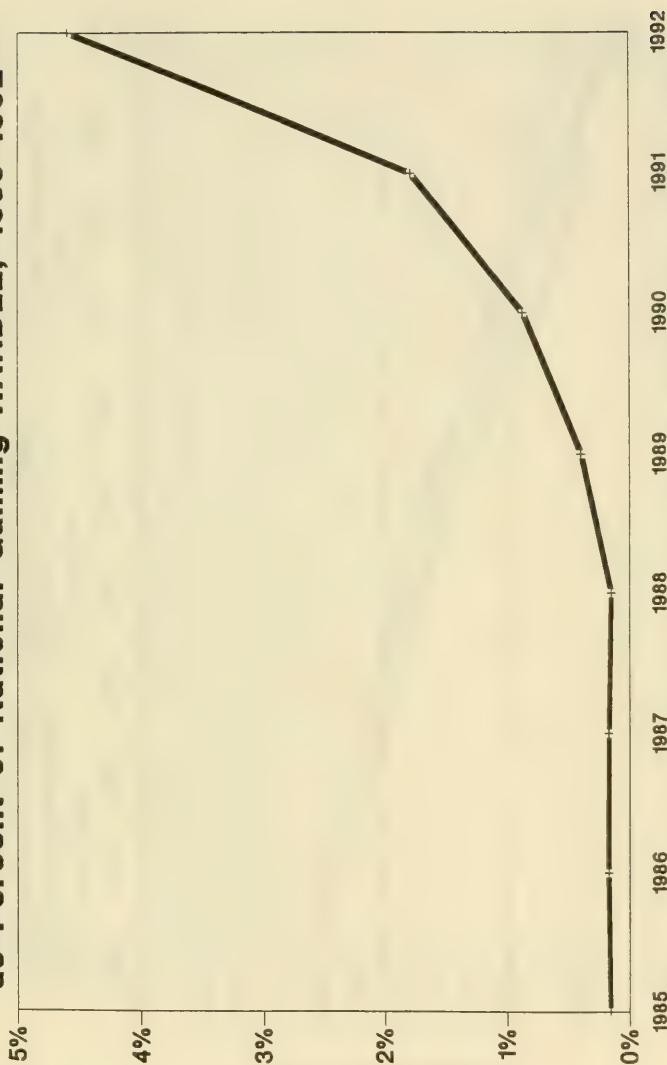
SOURCE: Estimates compiled by Christiansen/Cummings Associates for 'Gaming & Wagering Business,' July-Sept. issues, 1989-1993.

Graph 3. Percent of National Gaming Handle, ("Churned" Dollars), by Type of Gaming, 1982-1992



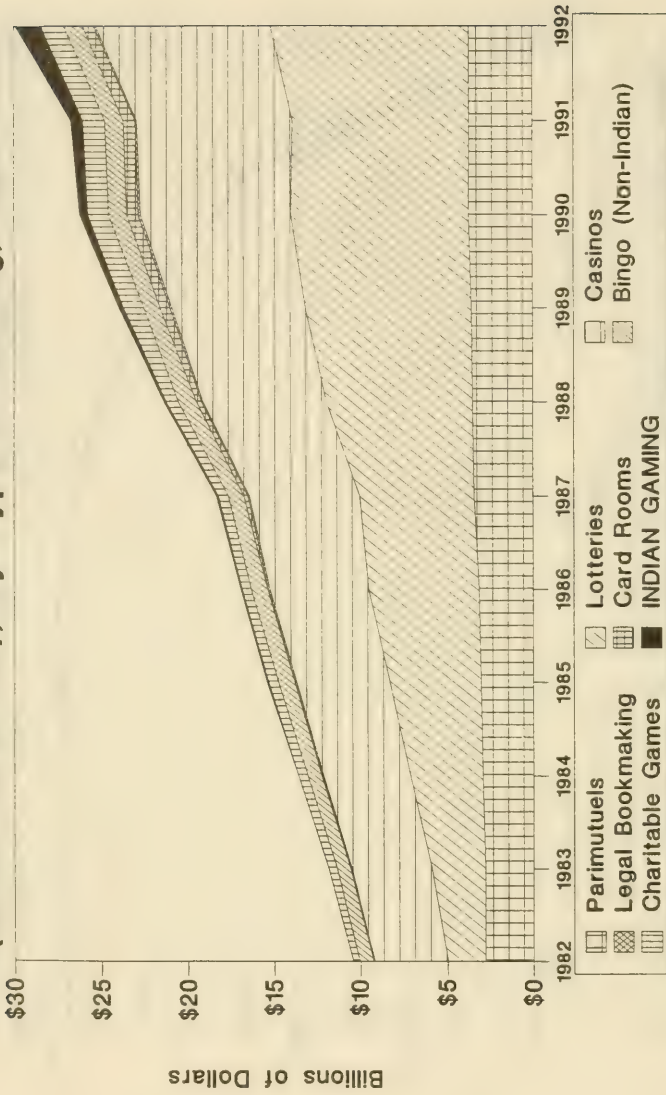
SOURCE: Calculated from estimates compiled by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business,' July-Sept. issues, 1989-1993.

**Graph 4. Indian Gaming HANDLE ("Churned" Dollars)
as Percent of National Gaming HANDLE, 1985-1992**



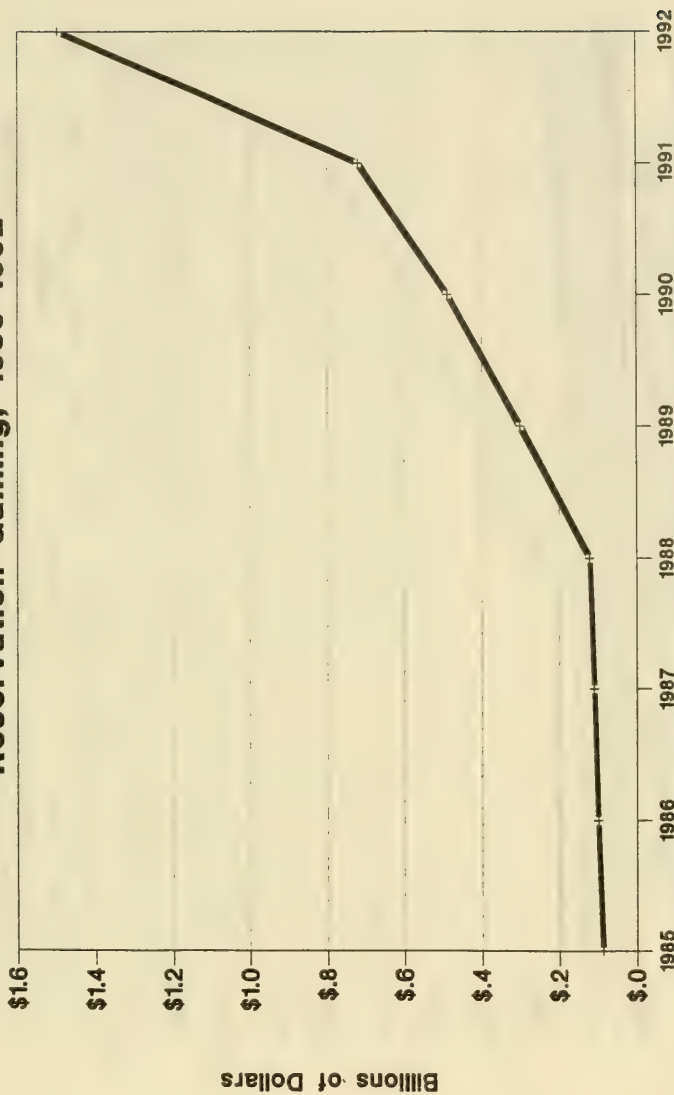
SOURCE: Calculated from estimates by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business' magazine, July-Sept. issues, 1992-1993.

**Graph 5. Estimated National Gaming WIN
(Gross Revenues), by Type of Gaming, 1982-1992**



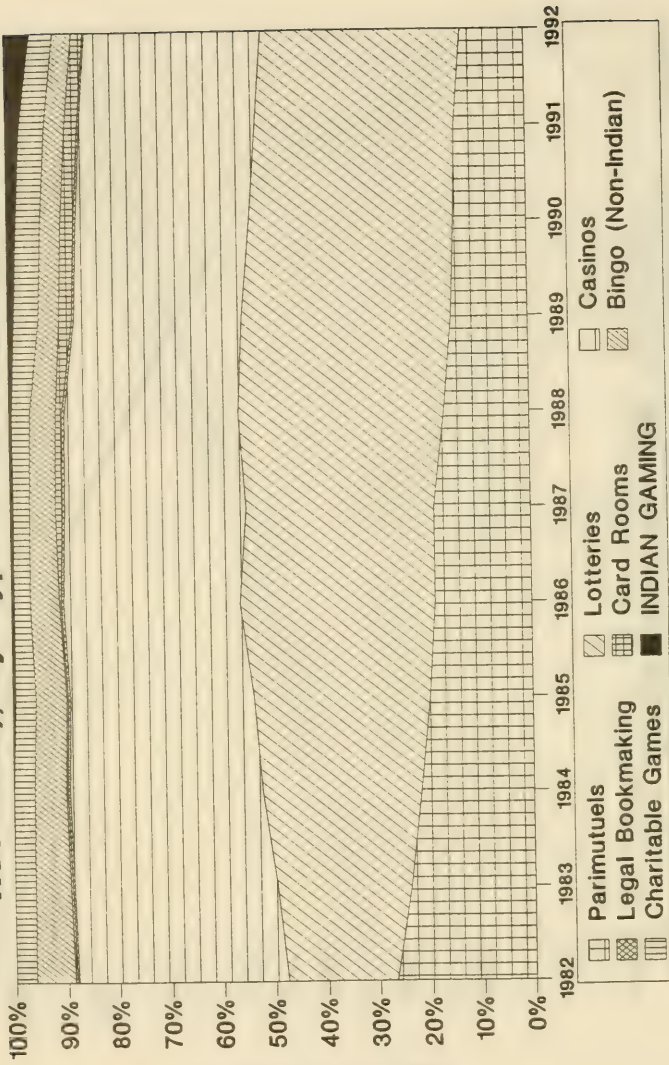
SOURCE: U.S. industry estimates compiled by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business,' July-Sept. issues, 1989-1993.

Graph 6. Estimated WIN (Gross Revenues) of Indian Reservation Gaming, 1985-1992



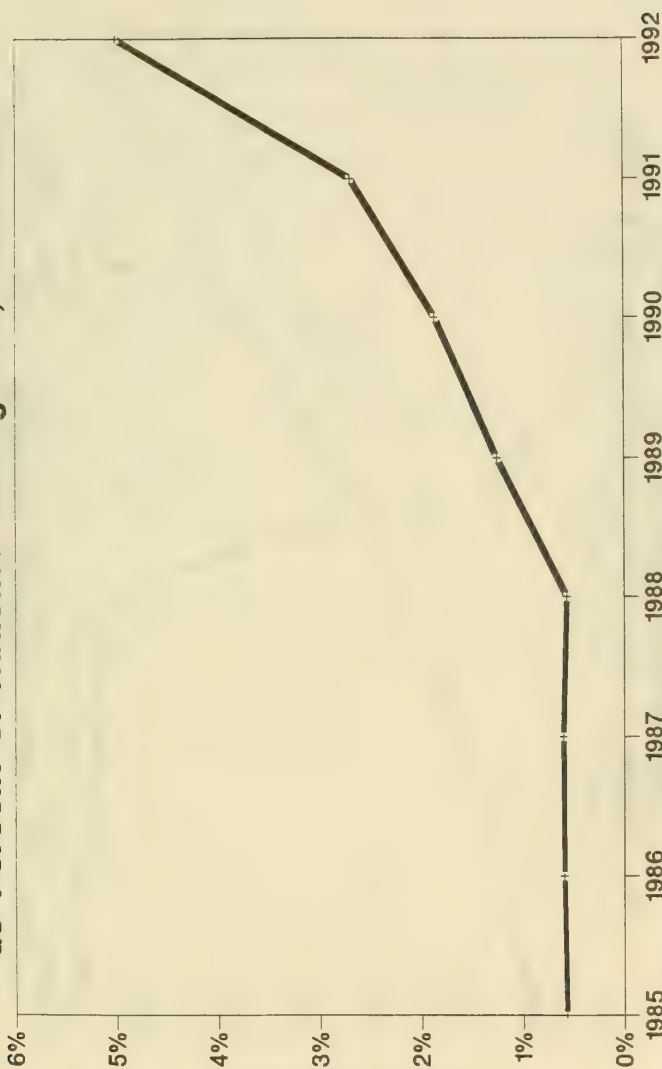
SOURCE: Estimates compiled by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business,' July-Sept. issues, 1989-1993.

Graph 7. Percent of National Gaming WIN (Gross Revenues), by Type of Gaming, 1982-1992



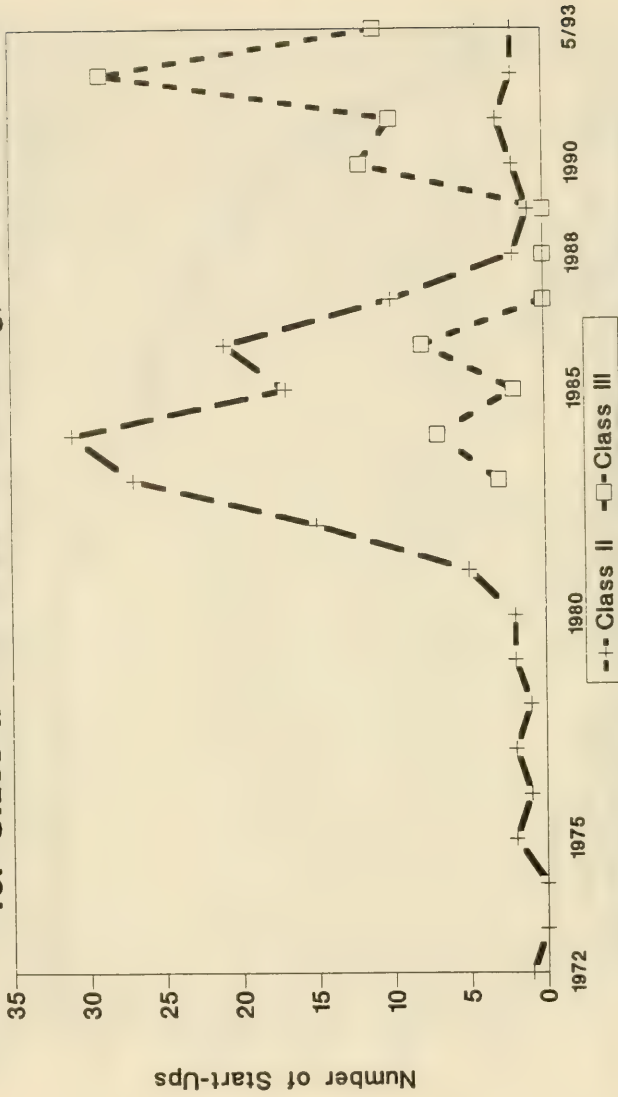
SOURCE: Calculated from estimates compiled by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business,' July-Sept. issues, 1989-1993.

**Graph 8. Indian Gaming WIN (Gross Revenues)
as Percent of National Gaming WIN, 1985-1992**



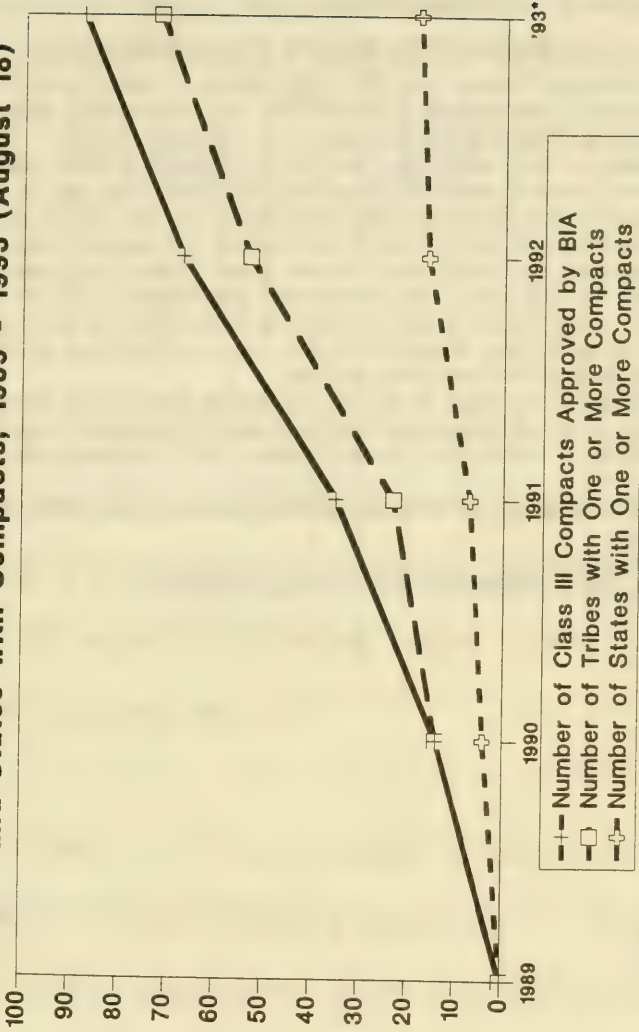
SOURCE: Calculated from estimates by Christiansen/Cummings Assocs. for 'Gaming & Wagering Business' magazine, July-Sept. issues, 1992-1993.

Graph 9. Estimated Number of Indian Gaming Operations Starting Up, by Year, for Class II and Class III Gaming, 1972-1993



NOTES: Graph does not include operations for which start-up data are missing. Tribes may have more than one operation. Not all start-ups are still operating. SOURCES: Compiled from data from BIA and Natl. Indian Gaming Commn.

Graph 10. Cumulative Number of Tribal-State Compacts for Class III Indian Gaming, and Cumulative Number of Tribes and States with Compacts, 1989 - 1993 (August 18)



NOTES: * Through August 18, 1993

SOURCE: Lists of Approved Tribal-State Compacts, compiled by Indian Gaming Management Staff, U.S. Bureau of Indian Affairs

Mr. RICHARDSON. With that, I would like to recognize the ranking member of our subcommittee.

STATEMENT OF HON. CRAIG THOMAS

Mr. THOMAS. Thank you, Mr. Chairman. I heard you. I will also insert mine in the record. I think it is very important that we have this hearing. This is the fifth one.

It seems to me, and I am not an old hand at this issue, but it does seem to me there are a number of issues that, as we move forward, need to be clarified. One, I suppose, is the notion among governors and others that there is absolutely no control over what the tribes do, and obviously that is not true. Under the arrangements the tribes do only what can be done in the State.

On the other hand, I think there is some feeling among some of the tribes that they shouldn't have any restrictions at all, and I don't think that is a realistic notion.

So, somehow we need to get those things somewhat clarified.

In any event, I am delighted to have this hearing, and I especially want to welcome our witnesses, our counterparts from the Senate.

Gentlemen, it is nice to have you here, and I look forward to your testimony.

Thank you, sir.

[Prepared statement of Mr. Thomas follows:]

**STATEMENT OF THE
HONORABLE CRAIG THOMAS OF WYOMING
ON
OVERSIGHT OF THE I.G.R.A
OCTOBER 5, 1993**

Thank you Mr. Chairman.

I am pleased to take part in this, the fifth in a series of oversight hearings on the Indian Gaming Regulatory Act. I think that it is vitally important that we as a body fully examine all facets of this issue before moving on to considering any legislation.

As you know, I am fully committed to the goals and objectives of the Indian Gaming Regulatory Act. Gaming in Indian country since the enactment of IGRA has resulted in unparalleled economic growth, both for the tribes and for

their surrounding non-Indian communities. Once poverty-stricken tribes have picked themselves up by their bootstraps and are now providing educational, employment, economic, and social benefits to their members. In addition, gaming has produced a beneficial ripple effect in many local economies.

While IGRA has, in my opinion, worked well in its present form, it is clear that some recent developments require that we reexamine the Act to fine-tune it. While there are some issues that we need to address -- the issue of good-faith compacting, for example -- there are others which have been raised as canards by opponents of Indian gaming and which I believe we need simply to refute and subsequently discard.

Among these is the allegation that Indian gaming is being significantly infiltrated by organized crime. Although opponents of Indian gaming have consistently made this allegation, their contention lacks both specifics and proof. I have seen no credible evidence to back up their assertion. In fact, the Department of Justice has repeatedly stated that this is simply not the case. I look forward to the testimony of the representatives from the FBI, DOJ, and IRS on this issue today, and hope that it will lay to rest these accusations once and for all.

Another fiction put forward by the opponents of Indian gaming is that the tribes have been somehow provided an unfair competitive advantage over other citizens. However, our tragic treatment of Indian people over the years has placed them at a severe disadvantage both economically

and socially: 31% of Indian people live in poverty; Native Americans are three times as likely to be unemployed as non-Indian people; tuberculosis levels are 480% higher than for the general population, alcoholism 388% higher, diabetes 169% higher, and suicides 300% higher. Given these figures, even if we had intended IGRA to give the tribes such an economic edge I could not characterize it as unfair.

In any event, I would note that tribal gaming enterprises are subject to many legal limitations which non-Indian enterprises are not. Only Indian gaming is subject to federal oversight and regulation. Only Indian tribes are required to negotiate with state governments before they can engage in any form of casino-type gaming. Only Indian tribes are required to spend their gaming income

solely for tribal governmental purposes and not for private business profit.

In closing, Mr. Chairman, I would like to welcome our witnesses today -- especially our counterparts from the other body Senators Inouye and McCain. I look forward to their testimony. In addition, at this point I have several documents that I would like to submit for inclusion in the record.

Thank you, Mr. Chairman.

Mr. RICHARDSON. The chair recognizes the gentleman from Hawaii.

STATEMENT OF HON. NEIL ABERCROMBIE

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

Mr. Chairman, my remarks will consist only of welcoming Senator Inouye here, not only as a colleague but as a mentor of some, more than three decades now, Senator, since I first shook your hand on the corner of Kapewani Boulevard. We have seen a lot of changes since then.

But one of the changes that are most important, Mr. Chairman, for purposes of this hearing is that Senator Inouye has led the way in this Nation in contemporary times to see to it that Native American affairs receive the kind of legislative attention and redress that was necessary.

I don't believe that it is possible to cite anyone else in the Nation in our legislative history that has shown more concern and taken more practical advantage of the opportunity to lead than Senator Inouye has.

So I, as one of those who has not only followed his career but been the beneficiary of his legislative expertise, am very, very happy to be here serving on this subcommittee as a counterpart to the leadership that he has provided in the United States Senate.

Mr. RICHARDSON. The chair recognizes the gentleman from California.

STATEMENT OF HON. KEN CALVERT

Mr. CALVERT. Thank you, Mr. Chairman. I have a brief statement.

Coming from a State which has the largest number of federally-recognized Indian tribes in the Nation, I am particularly concerned about the potential for organized criminal activity and corruption when gaming operations are not properly regulated. Let me hasten to add that I support the legal right of Indian tribes to offer various games of chance on the reservations as long as those games are consistent with State law and as long as they are properly regulated.

There are several Indian tribes in California that currently have extremely well-run gaming operations to promote economic development, self-sufficiency, and strong tribal government. I support those operations. My interest is simply to make certain that all gaming operations on Indian lands are free of corrupting influence, to ensure that the tribes, not outsiders, are the primary beneficiaries, and that the State of California is not saddled with increased costs of law enforcement and regulation.

When it comes to Indian gaming, I want the Indians and people of California to be winners and not forces of organized crime.

Thank you, Mr. Chairman.

Mr. RICHARDSON. I recognize the gentleman from South Dakota.

STATEMENT OF HON. TIM JOHNSON

Mr. JOHNSON. Thank you, Mr. Chairman. I commend you for holding this very timely and critically important hearing. I welcome the members of the panel, who I know will all make very

positive contributions to the dialogue on this ongoing debate that we have over the role of Indian gaming and its relationship with the various States.

In the State of South Dakota, we have nine Indian reservations. We have ongoing, very active gaming operations. The negotiation with the State has sometimes been a bit rocky but, on the whole, has worked itself out fairly well.

I think it is regrettable in some respects that gaming seems to be such a major engine for economic development and job opportunity on Indian reservations, but after over 100 years of virtually utter failure in my State of South Dakota developing other kinds of economic opportunities, I would have to say that at this point we have over 1,000 Native Americans employed in the gaming industry, generating a large amount of revenue for tribes, for the most part used for very worthy purposes. These Native Americans who are employed in many cases have never held employment before, and I think that the combination of new economic opportunities plus enhanced education opportunities with the development of our tribal colleges has been two of the most positive things that we have seen in a long, long time in my State to break the cycle of poverty and to break the ongoing dependence of Native Americans to the Federal Government, to create a greater sense of self-sufficiency and to develop a greater degree of viability, economic viability, on the reservations.

Nonetheless, it does require a delicate balance between the States and the tribes, it does require a very aggressive monitoring to make sure that organized crime does not become involved here, that the money—that the revenues are audited properly, that the management is kept on a high level. So I think this hearing will be a valuable contribution in our effort to oversee and possibly to pass legislation relative to Indian gaming.

So I thank you, Mr. Chairman, for holding this hearing on an issue that is critically important not just to us in the West but really all across the country.

Mr. RICHARDSON. I thank the gentleman.

I would like to welcome our four distinguished Members of the House and Senate who will be making their testimony.

As you all know, it is the committee practice that the statement is fully included in the record.

I would first like to welcome the distinguished chairman of the Senate Committee on Native American Affairs who has been aggressively pursuing a solution to this issue. He is a champion of many Native American causes. It is an honor for us to have him appear with us along with his vice chairman. The chair recognizes the distinguished Senator from Hawaii.

**STATEMENT OF HON. DANIEL K. INOUE, A U.S. SENATOR
FROM THE STATE OF HAWAII, AND CHAIRMAN, SENATE
COMMITTEE ON INDIAN AFFAIRS**

Senator INOUE. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee, Senator McCain and I are most grateful to you for your invitation to share our thoughts with you on a matter pending before your committee.

While Senator McCain will present to you an analysis of the history and conditions that led to the now famous Supreme Court case in *Cabazon*, I will try to briefly share with you my thoughts on why I feel the Government of the United States, of which we are a part, plays an important role in the furtherance of the general welfare of native peoples.

Although it seems trite and redundant to say so, it must be repeated often enough so that all Americans will always keep in mind that Indians were here before we came along—that this was their world—that in this world they established and maintained sovereign governments, governments that flourished, governments that were led by people who were highly sophisticated and most talented.

We should remind ourselves that in recognition of this reality, when the Constitution of the United States was drafted, our Founding Fathers specifically included the native peoples of this land and set forth the foundation of what we now call trust relationship, and in subsequent laws and Supreme Court rulings this trust relationship has been consistently upheld, even during the dark days of the so-called Indian Wars.

In recognizing this special relationship, our Government, more importantly, recognized the sovereign nature of the governments of native people. This fact must be emphasized again and again. Indian nations are sovereign nations.

To that end, our predecessors in the Congress during the last century and the century prior to that entered into negotiations with these sovereign tribes culminated by the signing of solemn treaties.

It has been said that the Government of the United States solemnly entered into 800 treaties with the various tribes and nations of Indian country. Like all treaties, we made promises and Indians made promises. In each case, we expected and we demanded that Indians live up to their promises. But I am sad to say that, of the 800 treaties, 430 were ignored by my predecessors in the United States Senate. The Members of the United States Senate simply refused to act upon them. Of the 370 that were ratified, we, the United States, proceeded to violate provisions in every single one of them. Now we have before us the matter of Indian gaming.

As the Supreme Court in the *Cabazon* case and the United States Constitution and subsequently enacted laws have clearly recognized, Indian nations are sovereign. It is in this context and in our desire to uphold the Constitution and honor the intent of our Founding Fathers that we enacted the Indian Gaming Regulatory Act of 1988.

However, this law has a fundamental but often unrecognized alteration to our national policy of trust relationship. In a real sense, the relationship, when it concerns the conduct of gaming activities on Indian lands, should have been between the Federal Government and Indian nations.

However, because of the complex variety in the laws of the 50 States, we soon found that it was almost impossible to develop a Federal law or standard that would apply in a consistent and uniform manner in all 50 States. Some States have lotteries, some have the full array of casino operations, and some, like my home

State, have no gaming at all. So with the full understanding of Indian nations, we enacted a law that called for compacts to be entered into by two sovereign entities, a State and an Indian nation.

Since July of this year, under the sponsorship of the Senate Committee on Indian Affairs, representatives of the National Governors Association, representatives of the National Association of Attorneys General, representatives of the Federal Government, and representatives of tribal governments have come together to clarify questions that have arisen as the result of the implementation of this law.

Many meetings have been held in this city, in the State of Washington, in New Mexico, in Arizona, and in Colorado. Countless hundreds of hours have been expended on discussions and negotiations, and, Mr. Chairman, I believe that we are close to resolution.

For example, all parties recognize that gaming has become an enterprise upon which many State governments across this land increasingly rely so that these governments may provide a full range of governmental services to their citizens.

What was once strictly a private commercial enterprise is neither solely private nor commercial any longer. Whether we may like it or not, in this Nation, governmentally-sponsored and governmentally-conducted gaming is growing geometrically each year, and so tribal governments have begun to join their sister State governments in this enterprise.

In this process of discussion and negotiation, all parties appear to desire greater certainty in the determination of what games are permitted to be played under the laws of each State. All parties recognize that for those States that do not elect to enter into tribal-State compacts, there must be an alternative process for securing authority to conduct Class III gaming on Indian lands. All parties strongly endorse the most stringent regulation of gaming and the need for comprehensive and cooperative law enforcement. Through this process of discussion and negotiation, we have found that there are more interests in common and fewer over which there is a difference in perspective.

On October 19, we will have a meeting of all the principals, and I am hopeful that at this meeting we may come forth with some final resolution of the matter before us. We are working towards that end, and, if I may, through these means, I would like to thank all of the parties for their many hours of patient effort and dedication to this process.

Mr. Chairman, I am aware that most Americans are surprised to learn that Indians are sovereign. While Indians live on lands that have been set aside for them and, for the most part, held in trust by our Government, many of these sovereign Indian nations collect taxes, they enact ordinances and laws, they have the power and authority to arrest, to levy fines and impose punishment, they have the power to regulate the environment, to administer education and health care programs, they have the power to operate judicial systems and to enter into the agreements and compacts with other governments.

Mr. Chairman, in recent months I have spoken before various groups and councils advocating the right of Indian nations to establish and conduct gaming operations in those States that do not

criminally prohibit such activities. In a sense, I find myself a bit uncomfortable in this role because throughout my adult life I have opposed gaming as a means of raising revenue to support government activities. As you may know, the State of Hawaii prohibits all forms of gaming, including bingo.

Mr. Chairman, however, in the case of Indian nations, I support the tribes in their gaming activities because I believe that we as a nation have failed in our job of upholding our responsibilities and obligations.

In the 800 treaties that we have either ignored or violated, we promised the Indians that in exchange for the hundreds of millions of acres that they ceded to us we would protect them, assure their security, and provide for their general welfare, but history shows that we have failed and failed miserably.

Instead, we participated in massacres, we did not come to their aid in times of pestilence and starvation, and so today Indian nations that once flourished and numbered in excess of 10 million people have little more than 2 million in their population. In comparison, every ethnic group in the United States has increased in size over the past 200 years.

But in this great country of ours, the Indian unemployment is the highest, their health statistics are the worst, their economic conditions know no equal, and yet, Mr. Chairman, in all of the wars of this century in which we have participated, Indian people have, in the spirit of brotherhood, volunteered to serve in every one of them. In fact, on a per capita basis, there are more veterans in Indian country than in the rest of this Nation. On a per capita basis, more Indians have given their lives and their limbs in the service of our country than any other ethnic group.

Mr. Chairman, clearly they have paid their dues. I believe the time has come for this Nation to reciprocate, and I thank you once again for this opportunity, and I thank my colleague from Hawaii for his very generous remarks. Thank you very much, sir.

[Prepared statement of Mr. Inouye follows:]

STATEMENT OF SENATOR DANIEL K. INOUE
 CHAIRMAN, COMMITTEE ON INDIAN AFFAIRS
 UNITED STATES SENATE
 BEFORE THE OCTOBER 5, 1993 HEARING
 OF THE
 SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
 COMMITTEE ON NATURAL RESOURCES
 U.S. HOUSE OF REPRESENTATIVES

MR. CHAIRMAN, AND MEMBERS OF THE SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS, SENATOR McCAIN AND I ARE MOST GRATEFUL TO YOU FOR YOUR INVITATION TO SHARE OUR THOUGHTS WITH YOU ON THE MATTER THAT IS BEFORE YOUR COMMITTEE TODAY -- INDIAN GAMING.

WHILE SENATOR McCAIN WILL PRESENT TO YOU AN ANALYSIS OF THE HISTORY AND CONDITIONS THAT LED TO THE NOW-FAMOUS SUPREME COURT RULING IN THE CABAZON CASE, I WILL TRY TO BRIEFLY SHARE WITH YOU MY THOUGHTS ON WHY I FEEL THE GOVERNMENT OF THE UNITED STATES, OF WHICH WE ARE A PART, PLAYS AN IMPORTANT ROLE IN THE FURTHERANCE OF THE GENERAL WELFARE OF INDIAN PEOPLE.

ALTHOUGH IT SEEMS TRITE AND REDUNDANT TO SAY SO, IT MUST BE REPEATED OFTEN ENOUGH SO THAT ALL AMERICANS WILL ALWAYS KEEP IN MIND THAT INDIANS WERE HERE BEFORE THE EUROPEANS -- THAT THIS WAS THEIR WORLD.

THAT IN THIS WORLD THEY ESTABLISHED AND MAINTAINED SOVEREIGN GOVERNMENTS -- GOVERNMENTS THAT FLOURISHED -- GOVERNMENTS THAT WERE

LED BY PEOPLE WHO WERE HIGHLY SOPHISTICATED AND TALENTED.

WE SHOULD REMIND OURSELVES THAT IN RECOGNITION OF THIS REALITY, WHEN THE CONSTITUTION OF THE UNITED STATES WAS DRAFTED, OUR FOUNDING FATHERS SPECIFICALLY INCLUDED THE NATIVE PEOPLES OF THIS LAND AND SET FORTH THE FOUNDATION OF WHAT WE NOW CALL THE TRUST RELATIONSHIP.

AND IN SUBSEQUENT LAWS AND SUPREME COURT RULINGS, THIS TRUST RELATIONSHIP HAS BEEN CONSISTENTLY UPHELD, EVEN DURING THE DARK DAYS OF THE SO-CALLED "INDIAN WARS".

IN RECOGNIZING THIS SPECIAL RELATIONSHIP, OUR GOVERNMENT -- MORE IMPORTANTLY -- RECOGNIZED THE SOVEREIGN NATURE OF THE GOVERNMENTS OF NATIVE PEOPLES. THIS FACT MUST BE EMPHASIZED AGAIN AND AGAIN. INDIAN NATIONS ARE SOVEREIGN.

TO THAT END, OUR PREDECESSORS IN THE CONGRESS, DURING THE LAST CENTURY AND THE CENTURY PRIOR TO THAT, ENTERED INTO NEGOTIATIONS WITH THESE SOVEREIGN TRIBES -- CULMINATED BY THE SIGNING OF SOLEMN TREATIES.

IT HAS BEEN SAID THAT THE GOVERNMENT OF THE UNITED STATES SOLEMNLY ENTERED INTO 800 TREATIES WITH THE VARIOUS TRIBES AND NATIONS OF INDIAN COUNTRY. LIKE ALL TREATIES, WE MADE PROMISES, AND THE INDIANS MADE PROMISES.

IN EACH CASE, WE EXPECTED THE INDIANS TO LIVE UP TO THEIR PROMISES, BUT

I AM SAD TO REPORT, THAT OF THE 800 TREATIES, 430 WERE IGNORED BY MY PREDECESSORS IN THE UNITED STATES SENATE -- THE MEMBERS OF THE SENATE SIMPLY REFUSED TO ACT UPON THEM.

OF THE 370 THAT WERE RATIFIED, WE, THE UNITED STATES, PROCEEDED TO VIOLATE PROVISIONS IN EVERY SINGLE ONE OF THEM.

NOW WE HAVE THE MATTER OF INDIAN GAMING BEFORE US. AS THE SUPREME COURT IN THE CABAZON CASE AND THE UNITED STATES CONSTITUTION AND SUBSEQUENTLY-ENACTED LAWS HAVE CLEARLY RECOGNIZED, INDIAN NATIONS ARE SOVEREIGN.

IT IS IN THIS CONTEXT AND IN OUR DESIRE TO UPHOLD THE CONSTITUTION AND HONOR THE INTENT OF OUR FOUNDING FATHERS THAT WE ENACTED THE INDIAN GAMING REGULATORY ACT OF 1988.

HOWEVER, THIS LAW, HAS A FUNDAMENTAL BUT OFTEN UNRECOGNIZED ALTERATION TO OUR NATIONAL POLICY OF TRUST RELATIONSHIP.

IN A REAL SENSE, THE RELATIONSHIP -- WHEN IT CONCERNS THE CONDUCT OF GAMING ACTIVITIES ON INDIAN LANDS -- SHOULD HAVE BEEN BETWEEN THE FEDERAL GOVERNMENT AND INDIAN NATIONS.

HOWEVER, BECAUSE OF THE COMPLEX VARIETY IN THE LAWS OF THE FIFTY STATES, WE SOON FOUND THAT IT WAS ALMOST IMPOSSIBLE TO DEVELOP A FEDERAL LAW OR STANDARD THAT WOULD APPLY IN A CONSISTENT AND UNIFORM MANNER IN

ALL FIFTY STATES.

SOME STATES HAVE LOTTERIES, SOME HAVE THE FULL ARRAY OF CASINO OPERATIONS, AND SOME, LIKE MY HOME STATE, HAVE NO GAMING AT ALL.

AND SO, WITH THE FULL UNDERSTANDING OF THE INDIAN NATIONS, WE ENACTED A LAW THAT CALLED FOR COMPACTS TO BE ENTERED INTO BY THE SOVEREIGN ENTITIES -- STATES AND INDIAN NATIONS.

SINCE JULY OF THIS YEAR, UNDER THE SPONSORSHIP OF THE COMMITTEE ON INDIAN AFFAIRS, REPRESENTATIVES OF THE NATIONAL GOVERNORS ASSOCIATION, REPRESENTATIVES OF THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL, REPRESENTATIVES OF THE FEDERAL GOVERNMENT AND REPRESENTATIVES OF TRIBAL GOVERNMENTS HAVE COME TOGETHER TO CLARIFY QUESTIONS THAT HAVE ARISEN AS A RESULT OF THE IMPLEMENTATION OF THIS LAW.

MEETINGS HAVE BEEN HELD IN WASHINGTON, D.C., AND IN WASHINGTON STATE, AND IN NEW MEXICO.

COUNTLESS HUNDREDS OF HOURS HAVE BEEN EXPENDED ON DISCUSSIONS AND NEGOTIATIONS, AND IT WOULD NOW APPEAR THAT WE ARE CLOSE TO RESOLUTION.

FOR EXAMPLE, ALL PARTIES RECOGNIZE THAT GAMING HAS BECOME AN ENTERPRISE UPON WHICH MANY STATE GOVERNMENTS ACROSS THIS LAND INCREASINGLY RELY, SO THAT THESE GOVERNMENTS MAY PROVIDE A FULL RANGE OF GOVERNMENTAL SERVICES TO THEIR CITIZENS.

WHAT WAS ONCE STRICTLY A PRIVATE COMMERCIAL ENTERPRISE IS NEITHER SOLELY PRIVATE NOR COMMERCIAL ANY LONGER.

AND WHETHER WE MAY LIKE IT OR NOT, IN THIS NATION, GOVERNMENTALLY-SPONSORED AND GOVERNMENTALLY-CONDUCTED GAMING IS GROWING GEOMETRICALLY EACH YEAR.

TRIBAL GOVERNMENTS HAVE BEGUN TO JOIN THEIR SISTER STATE GOVERNMENTS IN THIS ENTERPRISE.

IN THIS PROCESS OF DISCUSSION AND NEGOTIATION, ALL PARTIES APPEAR TO DESIRE GREATER CERTAINTY IN THE DETERMINATION OF WHAT GAMES ARE PERMITTED TO BE PLAYED UNDER THE LAWS OF EACH STATE.

ALL PARTIES RECOGNIZE THAT FOR THOSE STATES THAT DO NOT ELECT TO ENTER INTO TRIBAL-STATE COMPACTS, THERE MUST BE AN ALTERNATIVE PROCESS FOR SECURING AUTHORITY TO CONDUCT CLASS III GAMING ON INDIAN LANDS.

ALL PARTIES STRONGLY ENDORSE THE MOST STRINGENT REGULATION OF GAMING, AND THE NEED FOR COMPREHENSIVE AND COOPERATIVE LAW ENFORCEMENT.

THROUGH THIS PROCESS OF DISCUSSION AND NEGOTIATION, WE HAVE FOUND THAT THERE ARE MORE INTERESTS IN COMMON, AND FEWER OVER WHICH THERE IS A DIFFERENCE IN PERSPECTIVE.

ON OCTOBER THE 19TH, WE WILL HAVE A MEETING OF ALL OF THE PRINCIPALS AND I AM HOPEFUL THAT AT THIS MEETING, WE MAY COME FORTH WITH SOME FINAL RESOLUTION OF THE MATTER BEFORE US AND WE ARE WORKING TOWARDS THAT END.

AND IF I MAY, THROUGH THESE MEANS, I WOULD LIKE TO THANK AND CONGRATULATE ALL OF THE PARTIES FOR THEIR MANY HOURS OF PATIENT EFFORT AND DEDICATION TO THE PROCESS.

I AM AWARE THAT MOST AMERICANS ARE SURPRISED TO LEARN OF INDIAN SOVEREIGNTY. WHILE INDIANS LIVE ON LANDS THAT HAVE BEEN SET ASIDE FOR THEM AND FOR THE MOST PART HELD IN TRUST BY OUR GOVERNMENT, MANY OF THESE SOVEREIGN INDIAN NATIONS COLLECT TAXES, ENACT ORDINANCES, HAVE THE POWER AND AUTHORITY TO ARREST, TO LEVY FINES AND IMPOSE PUNISHMENT, TO REGULATE ENVIRONMENTAL QUALITY, TO ADMINISTER EDUCATION AND HEALTH CARE PROGRAMS, TO OPERATE JUDICIAL SYSTEMS, AND TO ENTER INTO AGREEMENTS AND COMPACTS WITH OTHER GOVERNMENTS.

MR. CHAIRMAN, IN RECENT MONTHS, I HAVE SPOKEN BEFORE VARIOUS GROUPS AND COUNCILS ADVOCATING THE RIGHT OF INDIAN NATIONS TO ESTABLISH AND CONDUCT GAMING OPERATIONS IN THOSE STATES THAT DO NOT CRIMINALLY PROHIBIT SUCH ACTIVITIES.

IN A SENSE, I FIND MYSELF A BIT UNCOMFORTABLE IN THIS ROLE BECAUSE THROUGHOUT MY ADULT LIFE, I HAVE OPPOSED GAMING AS A MEANS OF RAISING REVENUE TO SUPPORT GOVERNMENTAL ACTIVITIES.

AS YOU MAY KNOW, THE STATE OF HAWAII PROHIBITS ALL FORMS OF GAMING, INCLUDING BINGO.

HOWEVER, IN THE CASE OF THE INDIAN NATIONS, I SUPPORT THE TRIBES IN ALL OF THEIR ACTIVITIES, BECAUSE I BELIEVE THAT WE AS A NATION HAVE FAILED IN OUR JOB OF UPHOLDING OUR RESPONSIBILITIES.

IN THE 800 TREATIES THAT WE HAVE EITHER IGNORED OR VIOLATED, WE PROMISED THE INDIANS THAT IN EXCHANGE FOR THE HUNDREDS OF MILLIONS OF ACRES THAT THEY CEDED TO US, WE WOULD PROTECT THEM, ASSURE THEIR SECURITY AND PROVIDE FOR THEIR GENERAL WELFARE.

BUT HISTORY SHOWS THAT WE HAVE FAILED MISERABLY. INSTEAD, WE PARTICIPATED IN MASSACRES. WE DID NOT COME TO THEIR AID IN TIMES OF PESTILENCE AND STARVATION. AND SO TODAY, INDIAN NATIONS THAT ONCE NUMBERED IN EXCESS OF 10 MILLION PEOPLE HAVE LITTLE MORE THAN 2 MILLION IN THEIR POPULATION.

IN COMPARISON, EVERY ETHNIC GROUP IN THE UNITED STATES HAS INCREASED IN SIZE OVER THE PAST 200 YEARS. BUT IN THIS GREAT COUNTRY OF OURS, THE INDIAN UNEMPLOYMENT IS THE HIGHEST, THEIR HEALTH STATISTICS ARE THE WORST, THEIR ECONOMIC CONDITIONS KNOW NO EQUAL.

AND YET, MR. CHAIRMAN, IN ALL OF THE WARS OF THIS CENTURY, THE INDIAN PEOPLE HAVE, IN THE SPIRIT OF BROTHERHOOD, HELPED US IN EVERY WAR.

ON A PER CAPITA BASIS THERE ARE MORE VETERANS IN INDIAN COUNTRY THAN IN THE REST OF THE NATION. ON A PER CAPITA BASIS, MORE INDIANS HAVE GIVEN UP THEIR LIVES AND THEIR LIMBS THAN ANY OTHER ETHNIC GROUP.

MR. CHAIRMAN, THEY HAVE PAID THEIR DUES. I BELIEVE THE TIME HAS COME FOR THIS NATION TO RECIPROCATE.

Mr. RICHARDSON. Thank you, Senator Inouye.

The chair recognizes the distinguished vice chairman, my colleague and neighbor from Arizona, John McCain.

STATEMENT OF HON. JOHN MCCAIN, A U.S. SENATOR FROM THE STATE OF ARIZONA, AND VICE CHAIRMAN, SENATE COMMITTEE ON INDIAN AFFAIRS

Senator MCCAIN. Thank you, Mr. Chairman, and I want to thank you for holding this hearing. I also want to express my appreciation for your and Congressman Thomas's stewardship of a much needed Subcommittee on Indian Affairs. We appreciate the working relationship that we have, and I am optimistic about our ability to continue to work on behalf of Native Americans not only on this issue but many others, and I am grateful for the many-year commitment, Mr. Chairman, you have had to Native Americans both in your State and mine.

Mr. Chairman, I want to just discuss the Act with you for a minute and then talk about one of the major issues of this hearing, and that is the issue of organized crime and its involvement in Indian gaming.

As you know, Mr. Chairman, the Cabazon decision held that if a State civilly regulates any form of gaming, then the tribes in that State can engage in that activity free of State regulation. Remember that all of this began with the Cabazon decision. The Cabazon decision also held that if a State law criminally prohibits a form of gambling, then the tribes within that State cannot engage in that activity.

Let's make it clear, Mr. Chairman. If a State wants to criminally prohibit gaming in their State, then the Indians cannot engage in gaming in that State, and that is something, I think, that is neglected quite a bit.

Under the Act, as you know, it says that the States can determine what gaming activity is permitted, and at the insistence of the States in the non-Indian gaming industry, the Act further restricted tribal rights by requiring a tribal-State compact for most forms of gaming, except bingo and pull tabs.

Mr. Chairman, let the record show that the Act has worked well in those States where the parties wanted it to work. There are now 76 compacts in 12 States in this country, 12 in my own State of Arizona, and where the State and Indian interests have come together and sat down and negotiated in honest good faith, there have been successful compacts agreed to.

Let me also mention, Mr. Chairman, what you said at the beginning of the hearing. Accidental deaths, the death rate of Indians is 295 percent greater than U.S. rates; the suicide rate among Indians is 95 percent greater; high school dropout, 35 percent greater; unemployment; and on and on. The statistics are appalling and egregious and outrageous, and you and I and Senator Inouye, and every member of this committee has worked for years on the answer, and the answer is economic development, and we have failed, and all you have to do is visit a reservation in your State or mine, and we know that we have failed.

What has provided funds for these much needed programs? Not the Federal Government but Indian gaming. I don't like Indian

gaming, you don't like Indian gaming, others may not like Indian gaming. The fact is, Indian gaming has provided much needed revenues to provide these people with an opportunity which we owe all of our citizens.

I just want to finally, Mr. Chairman, talk about one issue, the possibility or likelihood of organized crime infiltration into Indian gaming. Senator Inouye's leadership led us to a hearing on March 18, 1992. One of the witnesses was Mr. Paul Maloney, senior counsel for policy of the Criminal Division of the Justice Department. Mr. Chairman, I ask unanimous consent that his entire statement be made part of the record.

Mr. RICHARDSON. Without objection.

[Prepared statement of Mr. Maloney follows:]



Department of Justice

STATEMENT

OF

PAUL L. MALONEY
SENIOR COUNSEL FOR POLICY
CRIMINAL DIVISION

BEFORE

THE

SELECT COMMITTEE ON INDIAN AFFAIRS
UNITED STATES SENATE

CONCERNING

INDIAN GAMING REGULATORY ACT

ON

MARCH 18, 1992

Mr. Chairman and Members of the Committee --

My name is Paul L. Maloney, and I am Senior Counsel for Policy in the Department of Justice Criminal Division. With me once again is the Honorable Linda A. Akers, United States Attorney for the District of Arizona and Chair of the Indian Affairs Subcommittee of the Attorney General's Advisory Committee of United States Attorneys. Also accompanying me is Jim E. Moody, Chief of the Organized Crime Section of the Federal Bureau of Investigation.

As I stated in my testimony on February 5th, the Department of Justice is dedicated to respond promptly to serious and flagrant non-compliance with Indian gaming laws. The Department of Justice will utilize its enforcement weapons against operations conducted without tribal sanctions or where there is evidence of organized crime infiltration, skimming or other forms of crime. For example, several prosecutions were brought against private entrepreneurs operating casinos in violation of tribal, state and federal laws on the St. Regis Mohawk reservation in the Northern District of New York; casinos operated without tribal authority were closed down in the District of Montana and the Eastern District of Oklahoma; a casino operation in the Northern District of California was closed down when reports of skimming by the manager, allegedly an associate of organized crime figures, was investigated; and, in the Southern District of California, an Indian official was convicted of embezzlement, and his wife of income tax violations, arising out of his skimming from the tribal gaming establishment he managed.

But I wish to reiterate and emphasize what I stated earlier: The perception in the media and elsewhere that Indian gaming operations are rife with serious criminality does not stand up under close examination. Under analysis, the contention breaks down into three assertions - that the tribal games have been infiltrated by organized crime families; that they have been victimized by criminal elements not associated with the major crime families; or that the tribes are conducting illegal gaming.

Insofar as organized crime is concerned, the Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations. For several years the FBI has focussed its efforts on monitoring those organizations and their associates to apprehend them as they engage in illegal activity or attempt to infiltrate legitimate enterprises. This kind of investigation revealed the attempt - which did not succeed - to infiltrate the gaming operation of the Rincon Band in California that I informed you last time resulted in the indictment of ten men on charges of racketeering, extortion, mail fraud and wire fraud. The FBI, moreover, informs me that there are at present fewer than five open investigations of organized crime family activity relating to gaming on Indian lands. As monitoring those families is one of the FBI's highest priorities, I am confident that should evidence of federal crime develop it will be fully investigated and referred to the United States Attorneys for appropriate action.

Furthermore, there has also been little evidence of criminal activity committed by criminal elements not associated with the major organized crime families. Again, on those occasions when such allegations have been brought to our attention, they have been investigated, and when sufficient evidence is developed for conviction, we have not hesitated to prosecute. One such case is that of the Indian official who skimmed the receipts of his tribe's bingo hall. I am informed that there are a handful of investigations into allegations of similar misconduct now being conducted.

Finally, we come to the assertion of "illegal gaming." This label also covers different kinds of regulatory violations. One set is gaming that is not operated under tribal auspices, and therefore cannot be legal under any circumstances. To my knowledge, all such operations have been shut down. They include the St. Regis casinos and those on Crow and Choctaw lands.

The other set of allegedly illegal gaming is gaming under tribal auspices. It would appear that all of the games so identified are instances in which the characterization of the gaming as illegal means gaming believed to fall in class III under the Indian Gaming Regulatory Act (IGRA) that is being conducted without the benefit of a compact negotiated with the state. In some cases the classification is in dispute, with the tribes claiming it properly falls in class II. Until the National Indian

Gaming Commission (NIGC) issues its final definition regulations later this year, it cannot be said with positive assurance that such gaming is not class II. In other instances of admitted class III gaming, the state and tribes are in the course of negotiation that will result in compacts allowing or disallowing the games. In still other cases the state has declined to include certain games within the compact and the tribe is expected to discontinue the games or file suit under the IGRA, if it has not already done so. In still other cases suits have been filed because the whole negotiation process has reached an impasse. Thus, at the moment, as I previously testified, the illegality of the challenged games is in doubt or in dispute. In these instances, the United States Attorneys are faced with the difficult decision to allocate scarce investigative and prosecutorial resources against these alleged tribal regulatory violations when there are so few that could not colorably be legitimated under the IGRA through Commission, state or judicial action, and are in the process of resolution.

This can best be demonstrated by a review of the map that Senator DeConcini asked me to investigate at the previous hearing. That map, incidentally, was prepared by the Department of the Interior (DOI) from anecdotal material supplied by its field staff. The map is an outline map of the lower 48 states. Within the outlines of nine states are a total of 41 orange dots which the key identifies as signifying "illegal gaming." The characterization of gaming as illegal represents informal information which may or may

not prove correct (e.g., that the gaming is class III) or upon a fact situation that is in flux (e.g., no compact is in existence). We have examined the status of the gaming activity represented by each of the orange dots and in most instances the tribes are either in the process of negotiation with the state or the tribes have filed suit against the state contending that the state has not negotiated in good faith. In other instances, where those conditions are not present, the operations have been closed down by federal and local law enforcement.

In sum, the informal survey of the Department of the Interior, when properly evaluated, does not support a perception that there is widespread serious criminal activity involving gaming on Indian reservations. What you have is gaming of questionable legality in the process of moving toward compliance with the IGRA. If the tribes and states continue in good faith under the soon to be published regulations of the NIGC, these regulatory violations, both real and apparent, will cease to exist.

The Department of Justice does not withdraw its repeated warnings that the flow of currency through Indian casinos requires continuing vigilance to avert illegal activities such as embezzlement, fraud and money laundering and to protect the tribes' interests. This is true of non-Indian gaming as well. Strict compliance with the scheme of regulation ordained by Congress is of

utmost importance to insure the benefits of lawful gaming by the Indian tribes.

Mr. Chairman, this concludes my statement and I, along with Ms. Akers and Mr. Moody, would be glad to answer any questions from you and members of the Committee.

Senator MCCAIN. On page 2—this is the statement by Mr. Maloney—"But I wish to reiterate and emphasize what I stated earlier. The perception in the media and elsewhere that Indian gaming operations are rife with serious criminality does not stand up under close examination. Insofar as organized crime is concerned, the Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations. For several years, the FBI has focused its efforts on monitoring those organizations and their associates to apprehend them as they engage in illegal activity or attempt to infiltrate legitimate enterprises. This kind of investigation revealed the attempt which did not succeed to infiltrate the gaming operation of the Rincon Band in California. I am confident that should evidence of Federal crime develop, it will be fully investigated and referred to the United States attorneys for appropriate action."

We also have the commitment from the Justice Department, Mr. Chairman, to bring to our attention any serious evidence that might indicate organized crime infiltrating.

Mr. Chairman, I want to say something we all know, wherever there is gambling, there is the possibility of infiltration of criminal elements, there is just too much temptation there, but to come before this committee and allege that organized crime is infiltrating the Indian gaming in this country does not stand up with the testimony of the Department of Justice whom I would rely upon.

Finally, Mr. Chairman, perhaps the most revered man that you and I have had the privilege of serving with was Morris Udall. In July of 1988, Morris Udall said the following: "Mr. Speaker, the Indian tribes, using treaties we forced upon them, laws which were passed without their consent, and our own courts, sued to vindicate their right to self-government so jealously guarded by them and so solemnly promised by us. They went to our courts to fight for their right to engage in gaming activities without hindrance by State governments, and they won. In the economic wasteland of the reservations that we have fostered, some of the tribes have found a small ray of hope for economic betterment, a chance for better health, better education, better jobs, a better future, but we can't permit that. Powerful economic forces have mobilized to ensure that it does not happen. And what is the justification given for once again breaking our word to the Indians? The opponents of Indian gaming activities raise the specter of organized crime. In 15 years of commercial gaming activity on Indian reservations, there has not been one clearly proven case of organized crime infiltrating gaming activity. Yes, there has been whispered rumors of such activities, and yes, there is potential, and I do share that concern."

Finally, Mr. Chairman, let me quote from Mr. Udall in conclusion. In July 1988, Congressman Mo Udall said,

I must oppose legislation damaging to Indian self-government and Indian rights. It may be that an intransigent non-Indian gaming industry has the economic power and political muscle to shove State rule over Indian governments down the throat of the tribes or to simply destroy the right by a Federal ban, but it will be done without my consent and without my support.

Mr. Chairman, it will be done without my consent and without my support. I thank you, Mr. Chairman.

[Prepared statement of Mr. McCain follows:]

STATEMENT
OF
SENATOR JOHN MCCAIN
BEFORE THE
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
OF THE
COMMITTEE ON NATURAL RESOURCES

OVERSIGHT HEARING ON THE INDIAN GAMING REGULATORY ACT
OCTOBER 5, 1993

Mr. Chairman and Members of the Subcommittee, I am pleased to be here with you today and I thank you for providing this opportunity to appear before you. I also want to associate myself with the remarks made by my good friend, Senator Inouye.

During the 102nd Congress the Senate Committee on Indian Affairs held three oversight hearings to determine how the Indian Gaming Regulatory Act was being implemented. We have spent much of this year engaged in a process aimed at reaching a consensus between state, federal and tribal government officials on any amendments to the Act which may be necessary to improve its implementation. This process has already yielded genuine progress and we remain hopeful that it will soon result in an agreement on amendments to the Act.

Based on our experience since the Act was enacted in 1988, I think that a few general conclusions can be reached with regard to the effectiveness of the Act. First, it is clear that the Act has worked well in every state where the parties have made the effort to work cooperatively. On the other hand, where the states have refused to negotiate, the Act has not always worked well and litigation and bitterness have replaced cooperation and successful negotiations. Overall, the Act has now resulted in 76 compacts in twelve states to govern the operation of Class III gaming. In my own State of Arizona, implementation of the Act has been difficult and contentious. This year, after several years of failed efforts to enter into compacts, the state and twelve tribes have now reached final agreements and more agreements are likely in the coming months.

Since 1988, Indian gaming has grown from gross revenues of about \$1 billion to \$6 billion in 1992. Nationwide Indian gaming constitutes about 3% of all gaming activity. Net revenues from Indian gaming in 1992 were estimated at \$750 million and were primarily used to provide tribal members with education, health care, employment and the infrastructure necessary for economic growth and development.

The second conclusion which can be reached is that the fears which have been raised over the years about the infiltration of Indian gaming by organized crime are false and unfounded. The

Senior Counsel for Policy of the Criminal Division of the Department of Justice testified before the Senate Committee on Indian Affairs on March 18, 1992 and stated:

Insofar as organized crime is concerned, the Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations. . . . Furthermore, there has been little evidence of criminal activity committed by criminal elements not associated with the major organized crime families.

The simple fact of the matter is that there has been very little criminal activity associated with Indian gaming. In large part the reason for this has been the vigilance of the tribal governments. They know as well or better than any of us that any criminal activity will ruin their chances to make gaming the viable economic activity which it has shown it can be on so many Indian reservations.

Mr. Chairman, I believe that it would serve the Subcommittee and the entire Congress well to remember the words of our colleague, the distinguished former Chairman of the Committee on Interior and Insular Affairs, Morris Udall. On July 6, 1988, a few short months before the Indian Gaming Regulatory Act was enacted, Chairman Udall addressed the House on the issue of Indian gaming generally and the fear of organized crime in particular:

Mr. Speaker, the Indian tribes, using treaties we forced upon them, laws which were passed without their consent, and our own courts, sued to vindicate their right to self-government, so jealously guarded by them and so solemnly promised by us. They went to our courts to fight for their right to engage in gaming activities without hindrance by State governments. And they won.

In the economic wasteland of the reservations that we have fostered, some of the tribes have found a small ray of hope for economic betterment. A chance for better health, better education, better jobs, a better future. But we can't permit that. Powerful economic forces have mobilized to ensure that it does not happen.

The most effective way to prevent it is to take away their right to self-government to make that choice for themselves and to subject them to the laws and the jurisdiction of the States. And that is what we are asked to do--to destroy that tribal right of self-government by unilaterally imposing upon them State rule.

And what is the justification given for once again breaking our word to the Indians? The opponents of Indian gaming activities raise the specter of organized crime. In 15

years of commercial gaming activity on Indian reservations, there has not been one clearly proven case of organized crime infiltrating Indian gaming. Yes there has been whispered rumors of such activity. And yes, there is a potential and I too share that concern.

However the opponents of Indian gaming, with little evidence, assert that the infiltration of organized crime is a clear and present danger and the only remedy is State jurisdiction. They say the Tribes and Federal government cannot handle organized crime; only the states can. They would have us believe that the FBI, the Justice Department and other federal law enforcement agencies cannot do what the states can.

Mr. Chairman, here we are five years after enactment of the Indian Gaming Regulatory Act and we find the opponents of Indian gaming making the exact same arguments which Chairman Udall noted in July of 1988. Even a casual reading of some of the bills which have recently been introduced to amend the Act demonstrates this fact. For example, the proponents of H.R. 2287, the Gaming Regulatory and State Law Enforcement Act of 1993 claim that there is a law enforcement crisis in Indian gaming which can only be rectified by placing Indian gaming totally under state control and greatly limiting Indian gaming activity. There is no law enforcement crisis. Legislation of this type is intended to destroy Indian gaming. Nothing more and nothing less.

To this extent, little has changed in the five years since the Act became law. On August 3, 1988 the Senate Committee on Indian Affairs filed its report on S.555, the bill which became the Indian Gaming Regulatory Act. In my Additional Views which accompanied the report, I noted that:

As the debate unfolded, it became clear that the interests of the states and of the gaming industry extended far beyond their expressed concern about organized crime. Their true interest was protection of their own games from a new source of economic competition.... the States and the gaming industry have always come to the table with the position that what is theirs is theirs and what the Tribes have is negotiable.

The States and the non-Indian gaming industry prevailed in many ways in the Indian Gaming regulatory Act. The Act embodies a significant infringement on tribal rights of self-governance. As the members of the Subcommittee know, the Act is premised on the Supreme Court's decision in the Cabazon case. The Court found that if state law criminally prohibits a form of gambling, then the tribes within that state may not engage in that activity. If on the other hand, state law civilly regulates a form of gaming, then the tribes in that state can engage in that activity free

from state control. The Act takes the Cabazon restriction a step further with its requirement that Class III gaming can only be conducted pursuant to an approved tribal/state compact. This provision was included in the Act over the objections of most tribes and at the insistence of the states and the non-Indian commercial gaming industry.

The States, not the Tribal or Federal governments, determine what gaming activity, if any, will ultimately be permitted. Despite this fact, it is apparent that some states and some non-Indian gaming operators are once again anxious to destroy Indian gaming to eliminate it as a competitive force.

If I may, I would like to once again refer to the remarks of Chairman Udall in July of 1988:

... I must oppose legislation damaging to Indian self-government and Indian rights. It may be that an intransigent non-Indian gaming industry has the economic power and political muscle to shove State rule over Indian governments down the throat of the tribes or to simply destroy the right by a federal ban. But it will be done without my consent and without my support.

Mr. RICHARDSON. I thank the gentleman.

The chair recognizes a leader in this House on many issues on law enforcement and crime, and we are pleased that the gentleman from New Jersey, the Honorable Bill Hughes from the Second District, is here.

Please proceed, Bill.

STATEMENT OF HON. WILLIAM J. HUGHES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. HUGHES. Thank you very much, Mr. Chairman. Good morning, and thank you very much for inviting me to testify here today before this most distinguished subcommittee.

At the outset, I would like to extend my thanks to you, Chairman Richardson, Chairman George Miller, and other members of this panel for the courtesies you have extended to me these past several months in our discussions about the Indian Gaming Act.

I am really very pleased that you understand both the problems which exist with the current Indian Gaming Regulatory Act and the need to make some reforms, particularly in the regulatory aspects of the law. I look forward to continuing our dialogue and to working with you to develop remedies which are in the public interest and are fair and reasonable to all parties involved.

As the committee knows, it has been six years since Congress voted to sanction gambling operations on Indian reservations. While I believe the intent of the law was to balance both the State interests, including effective enforcement, and Indian sovereignty concern, I feel the Act has fallen short in many respects.

At the time of enactment, I did not believe that the Act would guarantee that a carefully constructed and effective regulatory framework would be put in place to keep the gaming activities clean and consistent with State laws, regulations, and economic and other interests. I also believed that the compact negotiation process for Class 3 gaming was essentially unworkable and would merely spawn conflict and litigation. Unfortunately, many of my concerns are now realized.

What started out as an effort to recognize the right of Indian tribes to conduct carefully regulated forms of legalized gambling has since led to the proliferation of high-stakes gaming activities among some 71 tribes in 18 different States without the safeguards that would balance all State interests that we have a right to expect.

I am concerned that many of these gaming operations are not subject to adequate licensing, supervisory, or enforcement mechanisms which are capable of dealing with high-staking gambling and the many problems associated with it. This, in turn, has raised serious concerns that the gaming operations are vulnerable to corruption and infiltration of organized crime. Just as importantly, it has raised the ire of many local citizens who fear that gaming operations are being forced into their communities without their consent.

The ambiguity of the law has spawned a proliferation of lawsuits, as I mentioned, between Indian tribes and the States rather than encouraging the type of good-faith negotiations which were the intent of the 1988 Act.

While there is some consensus on the problems that the Indian Gaming Act has created, there is little agreement on the solutions. Indeed, there is no consensus even within the gaming industry in my own area, Atlantic City, which is located in the district that I have the privilege to represent.

For that reason, I have asked the New Jersey Casino Association, which has tremendous experience and expertise, to put together a working group and to advise me on this most important and highly complex issue. Hopefully, this working group can also complement the ongoing efforts of the States and Indian tribes to resolve their differences, and I salute the Senator, Senator Inouye, and Senator McCain, and others who are working with the governors and other interests to try to bring some resolution to this very, very difficult and complex issue, or series of issues.

Task forces have been established by the National Governors Association, the Association of Attorneys General, and that is what has been involved in the ongoing negotiations, and I am happy that we have a meeting, I think scheduled for October 19, that may see a resolution of these very difficult issues. I applaud those efforts and hope they will lead to a fair, reasonable, and balanced resolution of the concerns which many of us have raised.

From my own perspective, I believe that any legislation to amend the Indian Gaming Act must embody one basic principle. That is, it must protect the integrity of any gaming operation by assuring this it adequately regulates and enforces and ensures that it does not put other State-regulated interests at a competitive disadvantage. The latter concern was specifically recognized by the 1988 Act as a legitimate and important factor to be considered.

For instance, in my own State of New Jersey, we have tens of thousands of jobs involved, and billions and billions of dollars in which our State has a vital interest. It is my belief that States and their citizens have the right to insist that any gaming operation within their borders receive the same level of regulatory scrutiny that they impose on their own licensees and play by the same rules mandated by the State for non-Native American interests in that State.

The reason for this is not so much a sense of fairness to the licensees but that the States clearly have a protectable interest in the integrity of all gaming as well as the socioeconomic well-being of all of its citizens.

Moreover, if gaming operations are allowed to take place on an Indian reservation at a lower level of scrutiny than that which is accorded other gaming operations in the State, that threatens to undermine the public's confidence that gaming can be effectively run and supervised.

As long as States are going to be required to agree to a compact, as the Indian Gaming Regulatory Act now provides, then I believe the Indian gaming operations must either subject themselves to the jurisdiction of their States' regulatory system or be required to establish a regulatory system of their own which is comparable to the States' in every respect. Indeed, I believe that was the clear intent of the 1988 Act.

Unfortunately, the Act has not worked as well as was intended. I believe the New Jersey Casino Control Act offers a model to not

only regulate the gaming industry but also to assure the public's confidence in the integrity and credibility of the entire industry.

In fact, I read with great interest this morning after I received Jim Moody's testimony, that he makes the same suggestion. He is the section chief, as you know, of the Organized Crime Drug Operations Criminal Investigative Division of the Federal Bureau of Investigation. I believe that that Act in New Jersey is well reasoned, it has been tested, and has proven to be effective.

In New Jersey, enforcement of the Casino Control Act is divided among two agencies, the Casino Control Commission, which is in charge of licensing and regulatory affairs, and the Division of Gaming Enforcement, which is the investigative and prosecutorial agency. At the present time, the combined staffs of these two agencies is in excess of 850 personnel. Their combined budgets are approximately \$56 million, every penny of which is paid out of fees and assessments against the casino industry and its licensees.

Some of what the Casino Control Commission does is obvious; they license the companies and the people who work for the companies which run the casinos; they also supervise and set the rules for the games; and they are very much involved in supervising the passage of money and the control of credit. Those are the core missions of the CCC.

But there is more to the regulatory system in New Jersey than just that. The State also licenses and regulates any business that does business with the casinos on a regular basis. This includes casino-related operations such as those which sell cards or dice to the casinos as well as non-gaming businesses including those which sell liquor, food, furniture, and so forth. The State investigates each of these companies as well as their principal officers.

In addition, any company which is involved in loaning money to a casino to build or finance the construction of a casino, hotel, or expand it, must be licensed to do so. As a result, the law blankets the casinos themselves, all companies which do business with them on a regular basis, and all the financial sources of the casino companies.

I point this out because I believe it addresses the three central issues in this debate: Where will the regulation of Indian gaming activities take place? How will it be paid for? And what form will it take? Once again, I believe the New Jersey experience provides an excellent model for addressing each of these concerns.

Certainly there are other side issues to be addressed as well. For example, serious questions have been raised about the efforts by some tribes to expand their enclaves to lands which are not a part of their recognized reservations. I find that particularly troubling.

At the present time, the Indian Gaming Regulatory Act is not providing an adequate level of protection, with some notable exceptions, I might say. Indeed, it contains loopholes and ambiguities which cripple its effectiveness. If we don't act to soon correct the deficiencies in the law, it is only a matter of time before the public's confidence in the integrity and acceptance of systems of legalized gaming will be destroyed. If that happens, the implications of such a catastrophe will go well beyond the damage to any individual casino or Indian tribe or State. It will undermine the public

confidence in our ability to keep organized crime and other elements out of this industry.

Mr. Chairman, those are my overall concerns. I look forward to working with you to develop a framework which will enable us to address these serious concerns. I thank you again and look forward to that kind of cooperative effort that I have seen in the last few months.

Mr. RICHARDSON. I thank the gentleman.

[Prepared statement of Mr. Hughes follows:]

TESTIMONY BY THE HONORABLE WILLIAM J. HUGHES, M.C.
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS, OCT. 5, 1993

THANK YOU VERY MUCH, MR. CHAIRMAN. I AM WILLIAM J. HUGHES, MEMBER OF CONGRESS, REPRESENTING NEW JERSEY'S SECOND CONGRESSIONAL DISTRICT. I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THIS DISTINGUISHED SUBCOMMITTEE TODAY, TO SHARE WITH YOU SOME OF MY THOUGHTS AND CONCERNS ABOUT INDIAN GAMING.

AT THE OUTSET, I WANT TO EXTEND MY THANKS TO YOU, CHAIRMAN RICHARDSON, AS WELL AS FULL COMMITTEE CHAIRMAN GEORGE MILLER AND OTHER MEMBERS OF THIS PANEL, FOR THE COURTESIES YOU HAVE EXTENDED TO ME THESE PAST MONTHS IN OUR DISCUSSIONS ABOUT THE INDIAN GAMING ACT.

I AM VERY PLEASED THAT YOU UNDERSTAND BOTH THE PROBLEMS WHICH EXIST WITH THE CURRENT INDIAN GAMING REGULATORY ACT, AND THE NEED TO MAKE SOME REFORMS, PARTICULARLY IN THE REGULATORY ASPECTS OF THE LAW. I LOOK FORWARD TO CONTINUING OUR DIALOGUE, AND TO WORKING WITH YOU TO DEVELOP REMEDIES WHICH ARE IN THE PUBLIC INTEREST AND ARE FAIR TO ALL PARTIES INVOLVED.

AS THE COMMITTEE KNOWS, IT HAS BEEN SIX YEARS SINCE CONGRESS VOTED TO SANCTION GAMBLING OPERATIONS ON INDIAN RESERVATIONS. WHILE I BELIEVE THE INTENT OF THAT LAW WAS TO BALANCE BOTH THE STATE INTERESTS, INCLUDING EFFECTIVE ENFORCEMENT, AND INDIAN SOVEREIGNTY CONCERNS, I FEEL THE ACT FELL SHORT OF THAT GOAL.

AT THE TIME OF ENACTMENT, I DID NOT BELIEVE THAT THE ACT WOULD GUARANTEE THAT A CAREFULLY CONSTRUCTED AND EFFECTIVE REGULATORY FRAMEWORK WOULD BE PUT IN PLACE, TO KEEP THE GAMING ACTIVITIES CLEAN AND CONSISTENT WITH STATE LAWS, REGULATIONS AND ECONOMIC AND OTHER INTERESTS.

I ALSO BELIEVED THAT THE COMPACT NEGOTIATION PROCESS FOR CLASS III GAMING WAS ESSENTIALLY UNWORKABLE, AND WOULD MERELY SPAWN CONFLICT AND LITIGATION. UNFORTUNATELY, MANY OF MY CONCERNS ARE NOW BEING REALIZED.

WHAT STARTED OUT AS AN EFFORT TO RECOGNIZE THE RIGHT OF INDIAN TRIBES TO CONDUCT CAREFULLY REGULATED FORMS OF LEGALIZED GAMBLING, HAS SINCE LED TO A PROLIFERATION OF HIGH-STAKES GAMING ACTIVITIES AMONG SOME 71 TRIBES IN 18 DIFFERENT STATES, WITHOUT THE SAFEGUARDS THAT WOULD BALANCE ALL STATE INTERESTS THAT WE HAVE A RIGHT TO EXPECT.

I AM CONCERNED THAT MANY OF THESE GAMING OPERATIONS ARE NOT SUBJECT TO ADEQUATE LICENSING, SUPERVISORY OR ENFORCEMENT MECHANISMS, WHICH ARE CAPABLE OF DEALING WITH HIGH-STAKES GAMBLING AND THE MANY PROBLEMS ASSOCIATED WITH IT. THIS, IN TURN, HAS RAISED SERIOUS CONCERNS THAT THE GAMING OPERATIONS ARE VULNERABLE TO CORRUPTION AND INFILTRATION BY ORGANIZED CRIME.

JUST AS IMPORTANTLY, IT HAS RAISED THE IRE OF MANY LOCAL CITIZENS, WHO FEAR THAT GAMBLING ACTIVITIES ARE BEING FORCED INTO THEIR COMMUNITIES WITHOUT THEIR CONSENT. THE AMBIGUITY OF THE LAW HAS ALSO SPAWNED A PROLIFERATION OF LAWSUITS BETWEEN INDIAN TRIBES AND THE STATES, RATHER THAN ENCOURAGING THE TYPE OF GOOD-FAITH NEGOTIATIONS WHICH WERE THE INTENT OF THE 1988 ACT.

WHILE THERE IS SOME CONSENSUS ON THE PROBLEMS WHICH THE INDIAN GAMING ACT HAS CREATED, THERE IS LITTLE AGREEMENT ON THE SOLUTIONS. INDEED, THERE IS NO CONSENSUS EVEN WITHIN THE GAMING INDUSTRY IN ATLANTIC CITY, WHICH IS LOCATED IN THE DISTRICT THAT I HAVE THE PRIVILEGE TO REPRESENT.

FOR THAT REASON, I HAVE ASKED THE NEW JERSEY CASINO ASSOCIATION--WHICH HAS TREMENDOUS EXPERIENCE AND EXPERTISE--TO PUT TOGETHER A WORKING GROUP TO AND ADVISE ME ON THIS MOST IMPORTANT AND HIGHLY COMPLEX ISSUES.

HOPEFULLY, THIS WORKING GROUP CAN ALSO COMPLEMENT THE ONGOING EFFORTS OF THE STATES AND INDIAN TRIBES TO RESOLVE THEIR DIFFERENCES.

TASK FORCES HAVE ALSO BEEN ESTABLISHED BY THE NATIONAL ASSOCIATION OF ATTORNEYS GENERAL AND THE NATIONAL GOVERNORS ASSOCIATION. THESE TASK FORCES AND REPRESENTATIVES OF INDIAN TRIBES HAVE BEEN MEETING TO STUDY AND MAKE RECOMMENDATIONS TO THE CONGRESS, ON HOW TO IMPROVE THE STATUTORY FRAMEWORK FOR THE REGULATION OF GAMBLING ON INDIAN LANDS.

I APPLAUD THESE EFFORTS AND HOPE THEY WILL LEAD TO A FAIR, REASONABLE AND BALANCED RESOLUTION OF THESE CONCERNS WHICH THE CONGRESS CAN CONSIDER AND, HOPEFULLY, EMBRACE.

FROM MY OWN PERSPECTIVE, I BELIEVE THAT ANY LEGISLATION TO AMEND THE INDIAN GAMING REGULATORY ACT MUST EMBODY ONE BASIC PRINCIPLE. THAT IS, IT MUST PROTECT THE INTEGRITY OF ANY GAMING OPERATION BY ASSURING THAT IT IS ADEQUATELY REGULATED AND ENFORCED, AND ENSURE THAT IT DOES NOT PUT OTHER STATE-REGULATED INTERESTS AT A COMPETITIVE DISADVANTAGE.

THE LATTER CONCERN WAS SPECIFICALLY RECOGNIZED BY THE 1988 ACT AS A LEGITIMATE AND IMPORTANT FACTOR TO BE CONSIDERED.

IT IS MY BELIEF THAT STATES AND THEIR CITIZENS HAVE THE RIGHT TO INSIST THAT ANY GAMING OPERATION WITHIN THEIR BORDERS RECEIVE THE SAME LEVEL OF REGULATORY SCRUTINY THAT THEY IMPOSE ON THEIR OWN LICENSEES.

THE REASON FOR THIS IS NOT SO MUCH A SENSE OF FAIRNESS TO THE LICENSEES, BUT THAT THE STATES CLEARLY HAVE A PROTECTABLE INTEREST IN THE INTEGRITY OF ALL GAMING.

IF GAMING OPERATIONS ARE ALLOWED TO TAKE PLACE ON AN INDIAN RESERVATION AT A LOWER LEVEL OF SCRUTINY THAN THAT WHICH IS ACCORDED TO OTHER GAMING OPERATIONS IN THE STATE, THAT THREATENS TO UNDERMINE THE PUBLIC'S CONFIDENCE THAT GAMING CAN BE EFFECTIVELY RUN AND SUPERVISED.

AS LONG AS STATES ARE GOING TO BE REQUIRED TO AGREE TO A COMPACT, AS THE INDIAN GAMING REGULATORY ACT NOW PROVIDES, THEN I BELIEVE THE INDIAN GAMING OPERATIONS MUST EITHER SUBJECT THEMSELVES TO THE JURISDICTION OF THEIR STATE'S REGULATORY SYSTEM, OR BE REQUIRED TO ESTABLISH A REGULATORY SYSTEM OF THEIR OWN WHICH IS COMPARABLE TO THE STATE'S IN EVERY RESPECT.

INDEED, I BELIEVE THAT WAS THE CLEAR INTENT OF THE 1988 ACT. UNFORTUNATELY, THE ACT HAS NOT WORKED AS WELL AS IT WAS INTENDED.

BY COMPARISON, I BELIEVE THE NEW JERSEY CASINO CONTROL ACT OFFERS A MODEL TO NOT ONLY REGULATE THE GAMING INDUSTRY, BUT ALSO TO ASSURE THE PUBLIC'S CONFIDENCE IN THE INTEGRITY AND CREDIBILITY OF THE ENTIRE INDUSTRY.

IN NEW JERSEY, ENFORCEMENT OF THE CASINO CONTROL ACT IS DIVIDED AMONG TWO AGENCIES: THE CASINO CONTROL COMMISSION, WHICH IS IN CHARGE OF LICENSING AND REGULATORY AFFAIRS; AND THE DIVISION OF GAMING ENFORCEMENT, WHICH IS THE INVESTIGATIVE AND PROSECUTORIAL AGENCY.

AT THE PRESENT TIME, THE COMBINED STAFFS OF THESE TWO AGENCIES IS IN EXCESS OF 850. THEIR COMBINED BUDGETS ARE APPROXIMATELY \$56 MILLION, EVERY PENNY OF WHICH IS PAID FOR OUT OF FEES AND ASSESSMENTS AGAINST THE CASINO INDUSTRY AND ITS LICENSEES.

SOME OF WHAT THE CASINO CONTROL COMMISSION DOES IS OBVIOUS. THEY LICENSE THE COMPANIES AND THE PEOPLE WHO WORK FOR THE COMPANIES WHICH RUN CASINOS. THEY ALSO SUPERVISE AND SET THE RULES FOR THE GAMES, AND ARE VERY INVOLVED IN SUPERVISING THE PASSAGE OF MONEY AND THE CONTROL OF CREDIT. THOSE ARE THE CORE MISSIONS OF THE CCC.

BUT THERE IS MORE TO THE REGULATORY SYSTEM IN NEW JERSEY THAN JUST THAT.

THE STATE ALSO LICENSES AND REGULATES ANY BUSINESS THAT DOES BUSINESS WITH THE CASINOS ON A REGULAR BASIS. THIS INCLUDES GAMING-RELATED OPERATIONS, SUCH AS THOSE WHICH SELL CARDS OR DICE TO THE CASINOS, AS WELL AS NON-GAMING BUSINESSES, INCLUDING THOSE WHICH SELL THEM LIQUOR, FOOD, FURNITURE, AND SO FORTH. THE STATE INVESTIGATES EACH OF THESE COMPANIES AS WELL AS THEIR PRINCIPAL OFFICERS.

IN ADDITION, ANY COMPANY WHICH IS INVOLVED IN LOANING MONEY TO A CASINO TO BUILD OR FINANCE THE CONSTRUCTION OF A CASINO-HOTEL, MUST BE LICENSED TO DO SO. AS A RESULT, THE LAW BLANKETS THE CASINOS THEMSELVES, ALL COMPANIES WHICH DO BUSINESS WITH THEM ON A REGULAR BASIS, AND ALL THE FINANCIAL SOURCES OF THE CASINO COMPANIES.

I POINT THIS OUT BECAUSE I BELIEVE IT ADDRESSES THE THREE CENTRAL ISSUES IN THIS DEBATE: WHERE WILL THE REGULATION OF INDIAN GAMING ACTIVITIES TAKE PLACE, HOW WILL IT BE PAID FOR, AND WHAT FORM IT WILL TAKE.

ONCE AGAIN, I BELIEVE THE NEW JERSEY EXPERIENCE PROVIDES AN EXCELLENT MODEL FOR ADDRESSING EACH OF THESE CONCERNS.

CERTAINLY THERE ARE OTHER SIDE ISSUES TO BE ADDRESSED AS WELL. FOR EXAMPLE, SERIOUS QUESTIONS HAVE BEEN RAISED ABOUT THE EFFORTS BY SOME TRIBES TO EXPAND THEIR ENCLAVES TO LANDS WHICH ARE NOT A PART OF THEIR RECOGNIZED RESERVATIONS. I FIND THAT ESPECIALLY TROUBLING.

AT THE PRESENT TIME, THE INDIAN GAMING REGULATORY ACT IS NOT PROVIDING AN ADEQUATE LEVEL OF PROTECTION, WITH SOME NOTABLE EXCEPTIONS. INDEED, IT CONTAINS LOOPHOLES AND AMBIGUITIES WHICH CRIPPLE ITS EFFECTIVENESS.

IF WE DON'T ACT SOON TO CORRECT THE DEFICIENCIES IN THE LAW, IT IS ONLY A MATTER OF TIME BEFORE THE PUBLIC'S CONFIDENCE IN THE INTEGRITY AND ACCEPTANCE OF SYSTEMS OF LEGALIZED GAMING WILL BE DESTROYED.

IF THAT HAPPENS, THE IMPLICATIONS OF SUCH A CATASTROPHE WILL GO WELL BEYOND THE DAMAGE TO ANY INDIVIDUAL CASINO OR INDIAN TRIBE OR STATE. IT WILL UNDERMINE THE PUBLIC CONFIDENCE IN OUR ABILITY TO KEEP ORGANIZED CRIME AND OTHER ELEMENTS OUT OF THIS INDUSTRY.

MR. CHAIRMAN, THESE ARE MY OVERALL CONCERNS. I LOOK FORWARD TO WORKING WITH YOU TO DEVELOP A FRAMEWORK WHICH WILL ENABLE US TO ADDRESS THESE CONCERNS. THANK YOU AGAIN FOR ALLOWING ME TO APPEAR BEFORE YOU TODAY.

#

Mr. RICHARDSON. The chair recognizes the gentleman, Jersey, a very distinguished member of this body.

**STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mrs. ROUKEMA. Thank you, Mr. Chairman. I am certainly deeply grateful to you, Chairman Richardson, for permitting me the opportunity to share this testimony today with the subcommittee.

The proliferation of Indian gambling is a serious national issue, and it is a very serious issue in New Jersey, particularly in my Fifth Congressional District. Gaming, casino or otherwise, can produce serious consequences for the host community.

It would take months to address all the sociological, economic, moral, legal, and law enforcement problems associated with gambling. These issues are so serious to the citizens of New Jersey that when casino gambling was proposed for Atlantic City, the question was subject to Statewide referendum, and an amendment to the State Constitution was required.

While I hope that the subcommittee will address each of the aforementioned issues in subsequent hearings, I come before you today to discuss a situation presently pending in my district which has broad Indian gaming ramifications and which raises some serious questions, in my opinion, about illicit financing of some Indian gaming operations.

A group of people residing in parts of my district have been seeking Federal recognition as a Federal Indian tribe for nearly 20 years. When representatives of the Ramapough Mountain People first approached me in the mid-1980's, seeking a private bill recognizing the group as an Indian tribe, I was skeptical of the motives behind their drive for recognition. After all, this was a clear attempt to circumvent normal procedures.

To this day, the leaders of the Ramapough community have maintained that their sole reason for seeking Federal acknowledgment is to improve their housing, education, and social welfare. However, from my very first discussions with the group almost 10 years ago, it has been quite clear to me their sole interest in Federal acknowledgment is to circumvent local, State, and Federal jurisdiction for the sole purpose of establishing casino gambling in Bergen County, New Jersey.

No member of the group has ever contacted my office to discuss improvement in housing or education. They are integrated with the local communities and have been for some time.

On November 20, 1985, representatives of the Ramapough people signed a 15-year contract with Rory Management Corporation of Elizabeth, New Jersey. The purpose was to finance the group's Federal lobbying efforts in return for a percentage of future gaming operation profits.

At the time, the president of Rory Management Corporation was a Mr. Robert Frank of Miami, Florida, who, shortly after signing the Ramapough agreement, resigned as president of a similar firm under allegations of criminal involvement with a California Indian tribe's gaming operations.

Subsequent newspaper reports indicated that Rory Management Corporation was prepared to spend several million dollars in order to secure Federal recognition, land, and gaming facilities for the Ramapough group. Mr. Frank was to receive 49 percent of the gaming profits. The Ramapoughs were guaranteed \$29 million over 15 years.

On September 13, 1993, an article appeared in the New Jersey Law Journal documenting Mr. Frank's ties to organized crime. According to the Journal, he has had long-standing ties to Mafia bosses.

Mr. Chairman, I would like unanimous consent to have the New Jersey law article entered into the record.

Mr. RICHARDSON. Without objection.

[The article follows:]

Was Mob Behind Tribe's Casino?

By Tim O'Brien

The man whom the Ramapough Mountain People of Bergen County once retained to help them gain federal recognition as a bona fide Indian tribe — and subsequently manage any gaming operations on their reservation — has long-standing ties to an associate of Mafia boss Anthony (Tumac) Accetturo.

Accetturo is the longtime head of the New Jersey faction of the Luchese crime family who has been involved in bingo on Indian reservations, and elsewhere, for many years. On Aug. 13, he was convicted in Ocean County of racketeering, extortion, conspiracy and leading an organized-crime family, while an underling of his was convicted of murder.

The consultant who signed on with the reclusive Ramapough clan in 1985 is Robert Frank of Miami Lakes, Fla., who has been involved in bingo halls elsewhere since the 1970s, including one on an Indian reservation in which a civil court ruled he committed fraud.

Frank is a longtime associate of a major bingo operator, James L. Williams of Boca Raton, Fla., who is described by law-enforcement authorities as a close associate of Accetturo as well as of other underworld figures, including the now-deceased Ettore Zappi, a capo in the Gambino crime family. Williams was convicted in a federal court in Florida in 1987 of tax evasion, specifically, of skimming almost \$330,000 from several Broward County biago operations, including one operated by Indram. He served two years.

The issue of potential organized-crime influence has become a hot button in the high-stakes battle over the Ramapoughs' drive for recognition. Opponents, including casino owner Donald Trump and Bergen County's two representatives in the House, Republican Marge Rountzema and Democrat Robert Torricelli, have raised the specter of organized crime, while backers of the Ramapoughs have blasted the tactic as unfounded and as fear-mongering.

The Ramapoughs' attorney, George Schneider of Fairfield's Lorber, Schneider, Nuzzi, Vichness & Bilinski, as well as their chief, Ronald Van Dunk, says Frank's role ended two years ago, although both say he remains "a friend of the tribe" interested in helping not only in the push

CONTINUED ON Page 36

Was Mob Behind Tribe's Casino?

CONTINUED FROM PAGE 78

for tribal recognition but in subsequent ventures.

Friend of the Tribe

Says Van Dunk: "We lost all idea with Bob Frank because he just ran out of money. He left on good terms and he is a good friend. We expect to see him at our next pow-wow."

When told of Bob Frank's dealings with Williams, and that Williams is considered by federal prosecutors to be a longtime associate of Accetturo, Van Dunk said, "I'm glad we found that out. Take my word for it. He has no involvement at all. None. Nothing at all. The BIA [Bureau of Indian Affairs] has to approve all business dealings and that would blow us out of the water."

Frank, 58, a former Elizabeth resident and one-time national advertising manager for *The Daily Journal* newspaper in Elizabeth, now defunct, confirms that his official role with the tribe ended in 1991. But he too says that he is hopeful that should the Ramapough gain recognition, he is hired to help with either gaming or economic development. "I'm very close to the tribe," says Frank, adding, "If they were going to do something in New Jersey, I'd like to come back home and help."

Frank, tribe attorney Schneider, chief Van Dunk and the tribe's Washington, D.C., lobbyist, Albert Catalano, all describe Frank's current status as someone waiting in the wings should the clan receive tribal recognition.

Others, particularly law enforcement officials, characterize Frank as a front for Williams and Williams' Mafia associates. And Williams, say federal prosecutors, has been involved in bingo since he ran an Alton bingo hall in 1973 for Joseph Merlo, described by authorities as an Ohio bingo king convicted in 1979 of conducting an illegal bingo operation, grand theft and gambling.

Frank's involvement with Williams goes back to 1978 when, according to court papers filed by the federal Miami Strike Force in 1987, Frank played a minor role in attempts by Williams and others to bust a Florida civic lawsuit to push through bingo legislation favorable to them.

Accetturo as Bingo Man

Frank acknowledges dealing with Williams, but says he hasn't dealt with him since late 1985.

As for Accetturo, who moved to South Florida in the 1970s to avoid testifying before the New Jersey State Commission on Investigation, Frank says, "I know Anthony. Years ago I met him. I grew up in Passaicburg (an Elizabeth neighborhood) and he used to come over to Elizabeth. His grandparents were friends with my grandparents, but I never had anything to do with him."

Accetturo, according to federal authorities, became involved in running and supplying bingo operations on Indian reservations and elsewhere. According to a pre-sentencing memorandum in Williams' tax case, Accetturo held interests in at least two bingo halls owned by Williams in

South Florida in the early 1980s, as well as in another Williams-owned bingo operation in Atlanta.

A 1979 *Forbes* magazine article described Accetturo as "the kingpin of Florida bingo" and detailed Williams' connections to Accetturo. Williams sued *Forbes* but withdrew his suit voluntarily after he was deposed.

In addition, the memorandum says that Accetturo operated a paper company that supplied bingo cards to halls, including some on Indian reservations. Accetturo also tried to buy a Florida press company that produced bingo supplies, with Williams helping Accetturo with the purchase negotiations.

The pre-sentencing memorandum, written by assistant U.S. attorneys I. Randall Gold and Thomas McNulty in March 1987, seven weeks after Williams' conviction, describes Accetturo as someone who skins profits from bingo operations. Gold and McNulty accuse Williams of running bingo games for charities, both real and

worth was pegged by the FBI at some \$35 million during the early 1980s.

According to law-enforcement officials in the tax evasion case and elsewhere, Williams' has a history of owning and running businesses, from bingo parlors to strip clubs, with others fronting for him. And in at least three cases, Frank appears to be fronting for Williams.

In the first case, Frank, according to New Mexico authorities, came to Albuquerque in 1981 in an attempt to open a high-stakes bingo business for Williams. According to a 1982 report issued by the Governor's Organized Crime Prevention Commission titled, "Infiltration of Organized Crime Into Bingo in New Mexico," Frank failed to disclose both his and Williams' interests in the proposed bingo hall. Frank, according to the report, used the name of an employee of his from Hialeah Hall, a bingo parlor in Florida, as the owner, when in reality Williams was to bankroll the potential business as well as another venture on an Indian reservation.

BINGO IS HIS GAME

Robert Frank, seen at right during a press conference with the Ramapoughs in Mahwah in 1988, never disclosed at the time that he was being accused in California of skimming from an Indian-run bingo hall. Frank says he resigned from the bingo management firm he headed and did not know until called by the *Law Journal* that he was cited for fraud and embezzlement in a \$534,609 judgment against him and his partners.



name was on the lease, reported the prosecutors.

Says Frank about Hialeah Hall, "Jimmy Williams built it and I owned it. The building was leased to a charity so I was just the landlord."

The New Mexico report said that the Hialeah business was cited for violations of Florida's gaming statutes. Frank says, "That's true, but I just owned the building."

Alleged Skimming of Bingo Profits

In the third example cited by authorities, Frank, a 1937 graduate of Sonoma Hall University, was himself accused, along with Williams, of skimming from an Indian-operated bingo hall in Jackson, Ca.

The accusation was being made in early 1986, a few months after the Ramapoughs' chief, Van Dunk, was introducing Frank to the New Jersey press as the tribe's new management consultant. Frank's New Jersey company, Rory Management Corp., had signed a contract with the clan in 1985 to help in the effort to secure recognition, and in subsequently run a high-stakes bingo hall for 49 percent of the revenues. The Ramapoughs were to get 51 percent. The contract guaranteed the tribe \$29 million over 15 years, according to Frank and Van Dunk.

About seven months after that July 1985 announcement, a bingo hall being operated by Frank, Williams and, according to federal prosecutors, three convicted felons, in Jackson — about 50 miles northwest of Sacramento — was closed down after four months when its chief financial backer accused the operators of skimming more than \$15,000 a night. After years of litigation, an Alameda County judge awarded a judgment of \$534,609 plus interest and attorneys' fees to California developer Lynn Awby in October 1991. Though about half the judgment was for indemnification, other causes of action included fraud and embezzlement.

Frank and Williams left the state and the judgment was ordered by default. Federal prosecutors in Florida say, though, that the Williams/Frank group, after securing an employment contract with the Mik-Wuk Indians, sold 90 percent of the contract to another group for \$750,000.

Frank 'Resigns' as President

As in the case of the New Jersey corporation, Rory Management, Frank was the president of Arrow Management Services, Inc., in the Jackson venture. Arrow represented itself as a business expert in running bingo halls on reservations.

Frank, however, says he resigned as president of Arrow Management on Nov. 29, 1985, "before the accusations started." He says he was uncomfortable "with the team brought in by Williams," specifically, the three people he says he later discovered were convicted felons from New England.

He produced a letter from the Florida attorney representing Williams which acknowledges that Frank resigned on Nov. 29, 1985, and therefore should not have been included as an initial plaintiff or a subsequent cross-defendant. Initially, Frank, Williams and Awby Management sued Awby for interfering with their contract, and Awby counter-sued. The lawyer, Bruce Randall of Fort Lauderdale, concluded in the June

convicted, with most of the profits going, illegally, to Williams' companies rather than the charities.

Williams, for instance, was once shut down by authorities in Nashville who suspected the proceeds were not going to charity as stated. After being shut down, the executive director of the charity set up by Williams, the American Hypertension Association, Inc., obtained a mail-order ordination and refilled for a charitable solicitation permit as a minister. The executive director was Frank Gerillo, described in court papers as an associate of Accetturo who was indicted with the mob boss in 1980 for fixing races in Florida. Gerillo was convicted in 1981, while Accetturo was found to be incompetent to stand trial on medical grounds. Accetturo's net

Frank acknowledges playing a role in trying to set up the bingo operation for Williams in Albuquerque in 1981-82, and further acknowledges that the named principle in the proposed venture worked at Hialeah Hall, which he owned. But he says, "I was on my way to California and Jimmy asked me to stop by and check it out. He valued by opinion, and he paid me."

Hialeah Hall represents the second example of Frank allegedly fronting for Williams. While Frank admits he owned the business, and while Florida corporate records list him, and not Williams, as an officer of the business, the prosecutors in the Williams tax case wrote in 1987 that "there was clear evidence that [Williams] was running Hialeah Hall." Williams

CONTINUED ON NEXT PAGE

288 later. "We are exploring the possibilities of entraining you from it lawsuit."

Apparently on such action ever occurred, as Frank remained a job-hopper and it named on the job. In 1977, saying he relied on his lawyer, though Randall was not his lawyer, Frank told me: "I thought I was screwed from that suit." Frank told *Law Journal* reporter two weeks ago.

Frank produced a "crying memorandum" signed by him and Williams showing that he sold his interest in TBC Management on Nov. 29, 1978, by he sold his stake in the company at was giving thousands of dollars a night for only \$150. Frank says, "I was worried out because I didn't like the background of those people Williams brought in, and I never even got \$150."

Eighteen days after his "reignition" from Arrows Management in California, Frank appeared at another press conference with the Ramapo group in Mahwah to discuss his contract as president of Rory Management.

Memo Details Frank's Role

The federal prosecutors in Florida after concluded that the trio of New York and Florida actually brought Frank Williams into the K-Week Indian Jail.

The prosecutors, in their 1987 recommendation report, said that Frank played a small role in an attempt to bribe Williams and his associates to bribe an unnamed state legislator to pass legislation favorable to Williams and his associates.

According to the memorandum, Frank picked up several \$1,000 payments from a lobbyist for Williams



BEHIND THE SCENES: Marie

Ann Anthony Accatturo, above, convicted of running a racketeering enterprise in New Jersey in the 1970s. He held interests in bingo halls owned by James Williams, an associate of the team who contracted to run the Ramapo group's gaming operations.

after Williams demanded that a portion of \$25,000 fee be returned because the state had not yet passed the state Senate. While the prosecutors portrayed the assumed lobbyist as a participant in the bribe scheme, Frank's role was described only as that of a conduit between the lobbyist and Williams. Williams owned the South Florida bingo halls that were later taken over by Williams and dismissed by Accatturo as an "undercover partner of Boggs."

Reggie Accatturo, a New Mexico author, had pleaded guilty to the 1970s.

Says developer Avery today, "Frank was there in the beginning, and he was the president, but all I ever saw was Williams, who ran the place. I never saw Frank but once or twice."

In 1983 Frank told reporters in New Jersey that his company prepared to invest up to \$4 million on behalf of the Ramapo group, but he refused to identify the backers. In December 1983, he described the Accatturo as "a local gentleman from the New York City area, an outstanding citizen, and a very successful businessman." The New York Times, on Sept. 10, 1983, again declined to identify his backers, but, when asked, said emphatically it was not Williams or Accatturo.

Schneider, the Ramapo group's attorney, says that the current backers of the Ramapo group are paying the legal, lobbying and public relations fees as well as underwriting the air volumes of anthropological and geological studies submitted to the Bureau of Indian Affairs, is different from the earlier deep pocket. But he said Williams is known as Chief Red Bone, say the inventor's identity must remain secret.

Frank, Ramapo group attorney Schneider said, Van Dux, all say Frank's role was minor, and the company formed in 1983, Rory Management, continues as an active corporation, according to records with the Secretary of State in Trenton. The company is registered with Ralph McCasheen, says of Rory and Frank's efforts on behalf of the tribe. "They're still working on it. It's still on active status as far as I know."

Mayo says Rory's new attorney, Thomas Cohen of Livingston, who according to his company, who practices but is a consultant who trades as TBC Management. The secretary says that Cohen, as well as Rory's treasurer, an Edison accountant named Joel Miller, will not comment. Schneider said Cohen is the tribe's attorney and speaks to the tribe or to its lawyers. Cohen declined to return several phone calls.

As for Frank today, he says, "I was working for a medical lab but it didn't work out and now I'm not practicing, but I'll come home if (the Ramapo group) get the federal recognition."

Mrs. ROUKEMA. Representatives of the Ramapough group claim all official contact with Mr. Frank and his company have ceased since 1991. However, the same Ramapough officials recognize him as a close friend of the group, and they suggest that Mr. Frank will assume an official capacity with the group should the Bureau on Indian Affairs grant the Ramapoughs Federal acknowledgment.

Clearly, Mr. Frank and his associates are not far removed from the Ramapough efforts and somebody is continuing to pay large sums of money for a Washington lobbyist to manage the Ramapoughs' petition that is currently before the BIA.

It should be noted in fairness that not all of the Ramapough people supported the contract. For those who were in opposition, I deeply regret that the Ramapough people may be pawns in a highly organized effort to bring high-stakes gambling to northern New Jersey.

Many local officials and citizens in the affected areas of my district have contacted my office in absolute alarm over their inability to take action against, or simply manage the arrival of, high-stakes gambling in their back yards not to mention all of the societal ills that may accompany it.

Is it fair to ask the taxpayers to pay for increased law enforcement when they have no control over the gaming decisions?

Mr. Chairman, I am sure that we can all agree, Federal acknowledgment as a Native American tribe is a serious matter. Native American recognition and benefits should only be granted to people with legitimate claim to it and to groups who have a general interest in preserving their culture and heritage, not for the purpose of exploiting the Indian Gaming Regulatory Act.

Failure to control the growing number of spurious claims to federal Native American status, brought about by the lure of big money from high-stakes gaming following approval of the Indian Gaming Regulatory Act, only denigrates the proud heritage of our Nation's first inhabitants.

In making this distinction, I realize the Indian gaming experiences of an established, historically recognized, tribe, free from the coercion of unsavory interests seeking to make a fast dollar, may differ from those of an upstart group seeking Federal Native American status.

However, the subcommittee must realize that while tribal sovereignty may not significantly affect citizens' rights on a large reservation in a rural area, it absolutely tramples the rights of tax-paying citizens in crowded urban and suburban areas such as Bergen County, New Jersey.

Whether the subcommittee wishes to recognize it or not, Indian gaming has become a big business. The gaming business, by its very nature, attracts speculators and investors with large sums of cash. By failing to sufficiently regulate Indian gaming and by negating State and local autonomy regarding Indian gaming operations, the Federal Government is inviting disreputable individuals or organizations to become involved in gaming operations.

Make no mistake, BIA acknowledgment of the Ramapoughs will result in Indian gaming in northern New Jersey and it will almost surely bring organized crime with it under these circumstances.

I believe the current example from my district in northern New Jersey raises many questions about the Federal Indian acknowledgment process, potential infiltration of organized crime in some Indian gaming operations, the lack of Federal oversight for Indian gaming operations, and the need for comprehensive reform of the Indian Gaming Regulatory Act.

Accordingly, I believe Congressman Torricelli's legislation, H.R. 2287, the Gaming Integrity and State Law Enforcement Act, deserves full and fair consideration by this subcommittee and the House of Representatives. I am a co-sponsor. But, most of all, I believe it is time for the Federal Government to allow the citizens of each State to reassert control over the proliferation of Indian gaming operations.

Thank you, Mr. Chairman, for allowing me to state my observations here and to state the concerns on behalf of the citizens of the Fifth Congressional District in New Jersey.

[Prepared statement of Mrs. Roukema follows:]

TESTIMONY OF THE
HONORABLE MARGE ROUKEMA
BEFORE THE HOUSE NATURAL RESOURCES
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
OCTOBER 5, 1993

I am grateful to Chairman Richardson for affording me this opportunity to share my testimony regarding Indian gaming with the Subcommittee on Native American Affairs here today. The proliferation of Indian gaming is a serious national issue, it is a serious issue in New Jersey, and it is a very serious issue in my congressional district, New Jersey's Fifth.

Gaming, casino or otherwise, can produce serious consequences for the host community. It would take months to address the sociological, economic, moral, legal, and law enforcement problems associated with gambling. These issues are so serious to the citizens of New Jersey that when casino gaming was proposed for Atlantic City the question was subject to state-wide referendum, and amendment of the state constitution was required.

While I hope the subcommittee will address each of the aforementioned issues in subsequent hearings, I come before you today to discuss a situation presently pending in my congressional district, which has broad Indian gaming ramifications, and which raises some serious questions about illicit financing of some Indian gaming operations.

A group of people residing in parts of two communities in my congressional district have been seeking federal recognition as a federal Indian tribe for nearly 20 years. When representatives of the so called, "Ramapough Mountain Indians" first approached me in the mid-1980s seeking a private bill recognizing the group as an Indian tribe, I was skeptical of the motives behind their drive for recognition.

To this day, the leaders of the Ramapough community have maintained their sole reason for seeking federal acknowledgment is to improve their housing, education, and social welfare. However, from my very first discussions with the group almost ten years ago, it has been quite clear to me their sole interest in federal acknowledgment is to circumvent local, state, and federal jurisdiction for the purpose of establishing casino gambling in Bergen County, New Jersey.

On November 20, 1985, representatives of the Ramapough people signed a 15 year contract with Rory Management Corporation of Elizabeth, New Jersey, to finance the group's federal lobbying efforts in return for a percentage of future gaming operation profits. At the time, the President of Rory Management Corporation was Mr. Robert Frank of Miami, Florida, who shortly after signing the Ramapough agreement resigned as President of a similar firm under allegations of criminal involvement with a California Indian tribe's gaming operations.

Subsequent newspaper reports indicated Rory Management Corporation

was prepared to spend several million dollars in order to secure federal recognition, land, and gaming facilities for the Ramapough group. Frank was to receive 49 percent of the gaming operation profits. The Ramapoughs were guaranteed \$29 million over 15 years.

A September 13, 1993, article in the New Jersey Law Journal, indicates Frank's ties to organized crime are well established. According to the Journal, Frank has "long-standing" ties to Mafia boss Anthony Accetturo, head of the New Jersey Luchese crime family, who was recently convicted by the state on charges of racketeering, extortion, conspiracy, and leading an organized crime family. Some of Accetturo's criminal legacy reportedly involved Indian bingo operations. I will submit a copy of this article for the record, and remind the subcommittee that none of these accounts have been publicly challenged or refuted.

Representatives of the Ramapough group claim all official contact with Frank and his company ceased in 1991. However, the same Ramapough officials recognize him as a close friend of the group, and they suggest that Frank will assume an official capacity with the group should the Bureau of Indian Affairs (BIA) grant the Ramapoughs federal acknowledgment. Clearly, Frank and his associates are not far removed from the Ramapough efforts, and somebody is continuing to pay large sums of money for a Washington lobbyist to manage the Ramapoughs' petition before the BIA.

It should be noted, not all of the Ramapough people supported the contract with Frank. For those in opposition, I deeply regret that the Ramapough people may be pawns in a highly organized effort to bring high stakes gambling to northern New Jersey.

Many local officials and citizens, in the affected areas of my district, have contacted my office in absolute alarm over their inability to take action against, or simply manage, the arrival of high stakes gambling in their back yards--not to mention all of the societal ills which accompany it. Is it fair to ask the taxpayers to pay for increased law enforcement when they have no control over Indian gaming decisions?

Mr. Chairman, I am sure we can all agree federal acknowledgment as a Native American Indian tribe is a serious matter. Native American recognition and benefits should only be granted to peoples with legitimate claim to it, and to groups that have a genuine interest in preserving their culture and heritage--NOT for the purpose of exploiting the Indian Gaming Regulatory Act. Failure to control the growing number of spurious claims to federal Native American status, brought about by the lure of big money from high stakes gaming following approval of the Indian Gaming Regulatory Act, only denigrates the proud heritage of our Nation's first inhabitants.

In making this distinction, I realize the Indian gaming experiences of an established, historically recognized, Native American tribe, free from the coercion of unsavory interests seeking to make a fast dollar, may differ from those of an upstart group seeking federal Native American status. However, the subcommittee must realize that while tribal sovereignty may not significantly affect citizens' rights on a large reservation in a rural area, it absolutely tramples the rights of taxpaying citizens in crowded urban and suburban areas.

Whether the subcommittee wishes to recognize it or not, Indian gaming has become a big business. The gaming industry, by its very nature, attracts speculators and investors with large sums of cash. By failing to sufficiently regulate Indian gaming, and by negating state and local autonomy regarding Indian gaming operations, the federal government is inviting disreputable individuals or organizations to become involved in Indian gaming operations. Make no mistake, BIA acknowledgement of the Ramapoughs will result in Indian gaming in northern New Jersey and it will, almost surely, bring organized crime with it!

I believe the current example from my district in northern New Jersey raises many questions about the federal Indian acknowledgment process, potential infiltration of organized crime in some Indian gaming operations, the lack of federal oversight for Indian gaming operations, and the need for comprehensive reform of the Indian Gaming Regulatory Act. Accordingly, I believe Representative Robert G. Torricelli's legislation, H.R. 2287, the "Gaming Integrity and State Law Enforcement Act," deserves full and fair consideration by this subcommittee and the U.S. House of Representatives. But most of all, I believe it is time for the federal government to allow the citizens each state to reassert control over the proliferation of Indian gaming operations.

Thank you, Mr. Chairman, for allowing me to share my feelings and the concerns of many citizens in New Jersey's Fifth Congressional District with you here today.

MARGE ROUKEMA
6TH DISTRICT, NEW JERSEY

WASHINGTON OFFICE
2244 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3009
(202) 225-4485

NEW JERSEY OFFICES
1700 EAST RIDGEWOOD AVENUE
RIDGEWOOD, NJ 07450
(201) 447-3900

81 SPRING STREET
NEWTON, NJ 07860
(201) 578-3039



Congress of the United States
House of Representatives
Washington, DC 20515-3005
October 6, 1993

COMMITTEES
BANKING, FINANCE AND
URBAN AFFAIRS COMMITTEE
RANKING REPUBLICAN—
HOUSING AND COMMUNITY DEVELOPMENT
FINANCIAL INSTITUTIONS SUPERVISION
REGULATION AND INSURANCE
ECONOMIC STABILIZATION

EDUCATION AND LABOR COMMITTEE
RANKING REPUBLICAN—
LABOR—MANAGEMENT RELATIONS
ELEMENTARY, SECONDARY AND
VOCATIONAL EDUCATION
POSTSECONDARY EDUCATION
SELECT COMMITTEE ON HUNGER

The Honorable Bill Richardson
Chairman
Subcommittee on Native American Affairs
1522 Longworth House Office Building
Washington, DC 20515-6205

Dear Chairman Richardson:

During the Subcommittee on Native American Affairs' October 5, 1993, hearing on Indian gaming, some members of the subcommittee and the first panel disputed my testimony regarding the eligibility of the Ramapough Mountain people to conduct Indian gaming on their "trust" lands, should the group receive federal acknowledgement from the Secretary of the Interior. I would like to submit for the official record of the hearing a summary of the provisions of Section 20 of the Indian Gaming Regulatory Act (P.L. 100-497), which clarifies the concerns I raised as part of my official testimony.

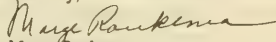
Section 20 of the Indian Gaming Regulatory Act (IGRA) generally prohibits gaming on lands placed in trust for an Indian tribe by the Secretary of the Interior following the date of enactment. **However, under Subsection (b), the prohibition on Indian gaming does not apply when the lands taken into trust by the Secretary of the Interior are part of "the initial reservation of an Indian tribe acknowledged by the Secretary under the Federal acknowledgment process."**

If the Bureau of Indian Affairs (BIA), and the Secretary of the Interior, officially acknowledge the Ramapough group, the lands taken into trust by the Secretary would be the tribe's "initial reservation," and therefore, gaming would be permissible under terms of the IGRA. I have verified my interpretation of this provision with the Director of the BIA Indian Gaming Management office, Hilda Manuel, and Ms. Maureen Murphy, Legislative Attorney, for the CRS American Law Division.

I realize the provision of the IGRA to which I refer has never been tested in federal court. Nevertheless, I believe my concerns regarding Indian gaming in northern New Jersey are well founded based upon Section 20 of the IGRA. I hope the subcommittee will consider my thoughts, and I hope this letter clears up any misunderstanding regarding my testimony.

I am looking forward to working with you and the entire Subcommittee on Native American Affairs in the near future.

Sincerely,


Marge Roukema
Member of Congress

MSR:bb

cc: The Honorable George Miller, Chairman
Members of the Subcommittee on Native American Affairs

Mr. RICHARDSON. I thank the gentlelady.

Before some of my colleagues are recognized for questions, if any, I would like to acknowledge the presence of the chairman of the full committee, the gentleman from California, and I would like to recognize him for any opening statement or to be the first to ask questions of this panel.

STATEMENT OF HON. GEORGE MILLER

Mr. MILLER. Thank you, Mr. Chairman.

I will include my opening statement for the record and just want to thank you for holding these hearings and for our colleagues in the attendance of these hearings.

I think it is terribly important that we have the ability on behalf of the public to sort out what are unfounded allegations and what are allegations that are being used in rather clever lobbying attempts against the establishment of Indian gaming and what is, in fact, fact with respect to the problems of organized crime or any other kind of criminal activity, organized or unorganized, within the Indian gaming industry.

We have listened as a committee, and I think Senator McCain and Senator Inouye have listened as individuals and members of a committee, to this for 20 years. And, interestingly enough, it has all been more a matter of press speculation than any fact at all.

We have had numerous hearings on this issue, and the fact remains that Indian gaming may be better situated than their competitors in non-Indian gaming in terms of their historical involvement and their current problems with criminal activity—again, organized or unorganized.

So I think this is an important hearing. I think Senator Inouye has pointed out that this is a difficult tightrope. We have to recognize the rights of these Indian sovereign nations. That rubs many people the wrong way, but it is a fact of American history that that is what these tribal lands are, and they, in fact, have certain rights under the laws and the treaties of this country, and it doesn't matter whether or not you make application for Federal recognition today or you made application 50 years ago.

That process puts you through the most rigorous examination of your anthropological backgrounds and your cultural heritage and your history beyond recognition. In fact, the argument of most people is that the process doesn't work because it is almost impossible for anybody to get through that process in today's world.

So I think we have got to separate a number of different issues here. Some people don't like Indian sovereignty at all. It simply rubs them the wrong way that there are rights that are accorded to the Indian nations of this country. Other people don't like competition from what now has become successful gambling on Indian reservations. And other people just don't want to hear about this problem.

Those are all interesting camps, but they have got to be sorted out in this process, and we cannot, because of the concerns that people have with Indian gaming from a competitive point of view or from a chauvinistic point of view, or from whatever point of view, we cannot then use that to trample on the rights of these In-

dian nations, and recognizing that these are most difficult questions.

Senator McCain's State has gone through a torturous process, but finally, when everybody got engaged and started working toward a solution, they worked toward a solution that has the agreement of both the State and the Indian nations and the Federal Government, and the fact is that that is happening throughout the country. It doesn't mean that they are all the same, it doesn't mean that there are not hard cases, because clearly there are.

As Congresswoman Roukema points out, urban areas are tougher than rural areas, but the Indian nations and their treaties and our Government didn't ascribe to them a different set of rights because they would eventually end up a hundred years later in an urban area. But we have got to go through the process of sorting that out.

I come from a State that has never legally allowed slot machines in its State, and we are terribly concerned that Indian gaming can drive the process of the State having to accept slot machines.

So everybody has these concerns, but we have got to work them out, not based upon rumor and innuendo and wild accusations, we have got to work them out based upon the facts, and I hope that this hearing will proceed along that process, and I will wait my turn for questioning because other Members arrived ahead of me.

Thank you, Mr. Chairman.

[Prepared statement of Mr. Miller follows:]

STATEMENT OF CHAIRMAN GEORGE MILLER
OVERSIGHT INDIAN GAMING
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
OCTOBER 5, 1993

After much debate, research and compromise Congress enacted the Indian Gaming Regulatory Act in 1988. The purpose of the Act was to regulate gaming on Indian lands. The Act allowed that Class One games which consist of traditional Indian games be regulated by the tribe. Class Two games which consist of bingo, pull tabs, and lotto would be regulated by the tribe in conjunction with the Federal Indian Gaming Commission. Class Three games such as table games and slot machines would be regulated pursuant to a compact between the tribes and the states.

Indian gaming is governmental gaming and as such, all proceeds are mandated by law to go back to the tribal government. On one reservation in Minnesota I had the opportunity to visit a new health care facility, a child care center with 24 hour supervision for children whose parents have to work a midnight shift, a new school, and a new, safe, water tower - all constructed with gaming proceeds. These dollars are turned immediately into "quality of life" opportunities for Indian children so that they can have some of the benefits that non Indian children take for granted.

I'm sure that what New Jersey and Nevada do for their citizens with the casino taxes they receive are very important to the residents of those states. New Jersey can be proud of the fact that senior

citizens pay only \$5.00 per prescription with the almost 7% of gross casino proceeds that go to the State. Imagine how much good New Jersey and Nevada could do with 100% of proceeds from gaming! This is the case on Indian reservations where all the money serves to better the community.

Indian gaming is incredibly small compared to private for-profit casinos and lotteries. When put up against all forms of legalized gaming, Indian gaming in 1992 is a mere 5% . That's all - 5% - with all the recent news articles and publicity against Indian gaming you'd think Indian gaming was about to topple Las Vegas and shove Atlantic City right into the ocean!

But that 5% is of vital importance to ailing Indian communities. Gaming is the first opportunity in ages for many Indian tribes to promote economic development and raise their standard of living. Not all tribes are interested in gaming, but for those that are it can mean the difference between their tribal members living in squalor with no chance of getting out and having the means to better feed, house, and educate their members.

It is absurd and quite naive to think that an Indian tribe would risk all of this by engaging in business practices with someone of questionable background. Indian tribes have a vested interest in ensuring that Indian gaming is free from corruption and that the benefits of gaming reach the tribal members.

The hearing this morning will focus on law enforcement issues as they affect Indian gaming. To those who say that Indian gaming is not regulated - I say - LOOK AT THE FACTS. Indian gaming is regulated and supervised by FIVE authorities:

1. FBI and the Justice Department have the responsibility to work with the National Indian Gaming Commission in conducting background checks on persons wishing to enter into business with a gaming tribe. The FBI also follows all leads regarding organized crime figures who might attempt to infiltrate Indian gaming. Violators are prosecuted by the U.S. Attorney in Federal Court.

2. The National Indian Gaming Commission which was authorized by the Indian Gaming Regulatory Act, is responsible for regulating all Class Two games as well as conducting background checks on persons wishing to contract with Indian tribes for Class Two or Three gaming activities. Management contracts are subject to intense scrutiny by the Commission prior to approval.

3. States - Through Class Three compacts with Indian tribes, states are free to exercise as much or as little authority as is mutually agreed upon.

4. Department of the Interior - The Secretary of the Interior must approve ALL gaming compacts between tribes and states. The BIA

maintains a general trust responsibility to provide civil regulation and criminal law enforcement on reservations.

5. Indian Tribes. Tribes are governments much like states and have the governmental responsibility to make sure that the games are properly regulated, operated cleanly, and fairly with the best return to the tribe. Indian tribes take these governmental responsibilities as seriously as any state.

This Committee has dedicated itself to finding out what aspects of the Indian Gaming Regulatory Act are working, what aspects are not working, and what needs to be adjusted. Chairman Richardson has conducted exhaustive research and previously held 4 oversight hearings on different aspects of gaming already this year. If something is broken and Indian tribes are vulnerable to unsavory characters then this Committee will fix it. Let me assure you - I will not sit idly by and watch organized crime infiltrate Indian gaming as has been alleged by some. What this Committee will NOT do is foist gratuitous state jurisdiction upon tribes which have no merit just to say we did something. Nor will this Committee allow itself to be used unquestioning as a sounding board for those whose only concern is the fear of competition.

I look forward to hearing the testimony and from all the witnesses today and engaging in helpful dialogue.

Mr. RICHARDSON. I thank the chairman.

Do any of my colleagues on the minority side have any questions for this panel?

The gentleman from Wyoming.

Mr. THOMAS. Just very briefly.

Obviously, there are two points of view about State regulations. Senators, either of you, how do you deal with the notion that if a State allows gambling in their own State and has a regulatory body, do you think the tribal activities are adequately regulated, or why shouldn't the same regulations and controls apply?

Senator INOUE. Under the Indian Gaming Regulatory Act of 1988, if a State does not criminally prohibit gaming activities, then a federally recognized tribe living on trust lands can enter into negotiations and discussions with the State government with the aim of entering into a compact to establish games. A compact, obviously, assumes that there would be negotiations.

A State may not get everything it wants, the Indians may not get everything they want, and, obviously, in a compact, if I were the State governor or the attorney general, I would insist that these games should be regulated in a way similar to that carried out in the State.

As to the gentlelady's concern in New Jersey, if I may most respectfully suggest, the Gaming Act says that those lands that were in trust at the time of the enactment would be those lands that may be used for such gaming purposes.

If the Indian people in New Jersey are still not recognized—and apparently they don't have any reservation—then they would seem to be outside the law.

Secondly, assuming that they are recognized at some later date, if such lands are going to be placed in trust for the purpose of gaming and if those lands are located off the tribe's reservation, the Secretary must so approve, with the concurrence of the State governor, and so it would seem inconceivable that the State of New Jersey, listening to the desires of her constituents, would say, "Okay, Indians, go ahead and have gaming in this district." So I think the law is rather clear in this respect.

The thing that is very difficult for most Americans to appreciate and understand, I think, was very clearly stated by Chairman Miller, and that is the concept of sovereignty. There are many levels of sovereignty, as we are all aware. The states delegated certain powers and authorities to the Federal Government. The States also delegated some authorities to the counties and cities.

We have other sovereign entities in the United States; embassy grounds, for example. And Indians are sovereign, but in the area of gaming, it depends upon the arrangement they have made with the State Government and the Federal Government.

Some sovereign Indian nations could arrest me if I went speeding through their jurisdiction. Some would call upon the State police to do that job. But the courts have consistently recognized that there is this sovereign aspect to Indian tribal governments, and this recognition must be honored by the Congress of the United States unless we are willing to, well, amend the Constitution of the United States, repeal all of the hundreds of laws that we have passed since our founding, and I can't see that happening.

But, as Senator McCain has pointed out, in all of these 72 compacts, we are still to hear from the FBI that there exists organized crime or criminal elements involved in such activities. So I take the word of the FBI, and I believe that they have done a good job.

Senator MCCAIN. Mr. Chairman, could I just add one additional comment?

Mr. RICHARDSON. Sure.

Senator MCCAIN. When we passed the Indian Gaming Regulatory Act, the provisions of the Act called for the setting up an Indian Gaming Commission, which is one of the later witnesses here this morning. That Indian Gaming Commission was given the authority to set regulations, enforcement, et cetera.

Now, in all candor, Congressman Thomas, the last administration was very slow in implementing this Act, in appointing members of the commission, and getting this whole system up to speed, and, because of that, I think that there were some problems, and some problems may still exist.

But if you passed a law today that said that the Indian tribes who engage in Indian gaming operations are now under State regulation, it would be 24 hours, in my view, before that would be thrown out in court because of the constitutionality of it.

The State does not have the right to regulate Indian tribes because of the sovereign basis of our recognition of the Indian tribes, and I believe that if there is a problem with the Indian Gaming Commission in their enforcement and their regulation, I would look towards beefing them up, making sure they are doing their job, rather than taking an approach which I think would be viewed by the courts as unconstitutional.

Mr. THOMAS. Thank you. It is true, however, that some States, through their compact, the tribes have agreed to State regulation.

Mr. RICHARDSON. I thank my colleague.

Let me remind my colleagues that we have five panels for this hearing, and I would hope that we could move ahead.

The gentleman from Hawaii.

Mr. ABERCROMBIE. Just a couple of points I want to make certain that I understand.

Mr. Hughes, on page 3 of your testimony at the bottom, you speak about protecting the integrity of any gaming operation and assuring that it does not put other State-regulated interests at a competitive disadvantage. You go on, on page 4, to talk about any gaming operation receiving the same level of regulatory scrutiny.

Following up on what Senator McCain said, wouldn't this simply be a question of the kind of compact that was arrived at between the Indian nation and the regulatory agency under existing State law in whatever State it was in, New Jersey or otherwise?

Mr. HUGHES. Well, that would be the case if, in fact, there is a compact that is negotiated. But there is a process, as you know, that if the State and Native American interest cannot reach accommodation, there is a process for the Commission to approve, after a mediation process, a compact so it went into effect.

But what I am saying is that there is an overriding public interest in ensuring that we have effective regulation and enforcement in place.

Mr. ABERCROMBIE. I understand that.

Mr. HUGHES. And that is an overriding interest.

Mr. ABERCROMBIE. I understand that. But am I correct then in saying that there is a process, which perhaps you may think may be improved in legislation here—nonetheless, there is a process whereby, in the compact negotiation, a conclusion can be reached as to how the regulations and the supervision will take place?

Mr. HUGHES. I can give you a scenario where that is not assured. For instance, if in fact there is disagreement, which there often is, between a State and the Indian tribes negotiating the compact and the mediator recommends—let's say the Indian tribe doesn't have in place in the enforcement section the same type of enforcement and regulatory mechanisms in that State or required by that State, if there is to be Indian gaming, you wouldn't have a guarantee that we would have that kind of enforcement.

Mr. ABERCROMBIE. Is it your suggestion then that that kind of assurance be built into any changes in the law?

Mr. HUGHES. That is the point I am making. That is an overriding public concern. In New Jersey, as I indicated, we spend over \$50 million in enforcement and regulation, and we still have a very difficult time at times trying to prevent money laundering activities, for instance.

Mr. ABERCROMBIE. That brings me to the point here. It seems there is a bit of a straw figure being beaten on here. I am not so certain that the history of State-regulated gambling in this country has been unfettered by accusations of criminal activity, and to suddenly bring it up with respect—or to bring it up with emphasis with respect to Indians, it seems to me, is a little bit condescending, patronizing, or even racist in its connotation.

So it seems to me that what you are suggesting here is a perfectly sound and reasonable approach, that we examine the existing law to see whether or not we can make some changes here that will allow the Indian nations the same opportunities to have supervision and regulation, which will assure the tribal members that they are being protected, just as any other individual or group should be able to feel that they are being protected with respect to the attempts of organized criminals or any other group to try and subvert the intent of the law.

Mr. HUGHES. Precisely, that is the point that I make. I think that the enforcement and the supervisory regulatory aspects are deficient. I thought so in 1988 when I voted against it, because I did not feel that it would guarantee that we would put in place those types of protections, protections for the Indian tribes as well as the non-Indian citizens of a particular State.

Mr. ABERCROMBIE. Thank you. I think your testimony is very well taken. I think your approach is good.

Finally then, Mr. Chairman, from what I see so far in looking at the rest of the testimony and some of the other information, it seems to me the principal worry here is, they are afraid for once the Indians are going to be able to compete. I thought competition was the big deal here. If that is the case, then it seems to me this is the Indians' version of NAFTA for gambling. Let them compete.

If you are afraid to compete against the Indians and the tribal nations, that is your problem, not the tribes'.

Mr. RICHARDSON. The chair thanks the gentleman.

Mr. ABERCROMBIE. Thank you. I appreciate the opportunity for some editorial comment, Mr. Chairman.

Mr. RICHARDSON. The chair recognizes the chairman of the committee.

Mr. MILLER. Thank you.

Hopefully, when this hearing is done, as I said, we will separate out a lot of different issues. I think that the notion is out there that this is a willy-nilly decision: A group of Indians get together, they get themselves recognized, and they get some investors, and they have a casino, and they are on their way. And nothing could be further from the truth. Either whether they go through the Federal recognition process and if they are successful there, if they have not been recognized to date, can they establish a land base? Can their land base, as Senator Inouye pointed out, be established for this purpose? And whether or not they have worked out an agreement with the governor and the Secretary of the Interior, which would be highly unlikely to be approved if they did not agree to that.

Not only that, also what needs to be separated out here is really the rather incredible oversight of Indian gaming that exists in this country today by virtue of State compacts. If you look at your neighbor there, Connecticut, in the State agreement they have mandatory licensure for all of their employees, they have agreed to all the Federal regulatory oversight, they have mandatory regulatory oversight during all hours of operation, on-site police presence during all hours of operation, liquor control agents on site in all hours of operations, exhaustive State background checks of all casino executives, mandatory yearly audit by outside auditing firms, and then they have got to go through the Federal process, which is all the memorandums of understanding that I believe now exist between the FBI and the BIA for background checks; for the Indian commission's approval of these management contract, background checks of all of the parties to that; and it goes on and on and on. Many of these, in fact, don't exist in New Jersey or Nevada where gambling is a much larger operation.

So I think we have got to calm this thing down a bit and understand what the real process is for this process to take place and how extensively regulated it is, and that the Commission has the ability to assess these operations, and at any time it thinks that it does not have the adequate funding or oversight to go through this, it has the ability to assess this and to beef up that regulatory process.

I want to thank my colleagues for their testimony.

Senator MCCAIN. Chairman Miller, could I make one additional comment to your statement which I think is important?

Mr. MILLER. Certainly, Senator.

Senator MCCAIN. In the very long and detailed and many times agonizing negotiations that the chairman and I have had with the governors and the attorneys general, the issue that we are hung up on has nothing to do with enforcement of gaming, it has nothing to do with the problem of infiltration of organized crime. The one remaining problem we face in our negotiations with the governors is the issue of scope of gaming.

So I would suggest, Mr. Chairman, that your words are correct in that the governors and the attorneys general do not raise this alarm that seems to have been raised here at this hearing and in other parts of America.

Mr. MILLER. Congressman Hughes, just for a second here, on that point, I think the concern of the governors here, you and I have spent an incredible number of hours discussing this issue and the concerns that would be raised in your State and your region, because I think, as Congresswoman Roukema points out, what happens in this region with this population density is obviously of great concern.

My understanding—and correct me if I am wrong—is that New Jersey has not really participated in the discussions that Senator Inouye referred to earlier, that they have opted out of those discussions. Is that correct?

Mr. HUGHES. I think that is essentially correct, except that I know that Bob Del Tuso, when he was attorney general, I believe, was privy to much of the discussions that were taking place. So they monitored; I don't think they took the lead.

Mr. MILLER. If you might check on that, because my understanding is that their position is no Indian gaming, and so they are not part of this. But I think that is not going to become the law of the land, and this process is going to remain in place, maybe with some technical changes and what-have-you, and this is being worked on.

It would seem to us if this particular issue has not been raised to a great extent in those discussions and yet New Jersey feels that this is an important issue, New Jersey, it seems to me, should be participating in those discussions so that they can weigh in on that.

I mean what we are trying to do is to get the attorneys general and the governors together to let's find out what concerns are real and what concerns aren't or a misreading or a misunderstanding of the laws or what the law doesn't address, and it would seem to me that New Jersey, that feels it has so much at stake, would do well to get involved in that process instead of coming back at the end and saying, "Well, we don't accept this," or, you know, "This has got to be redone." They should get into the front door here.

Mr. HUGHES. Well, I agree with that. But my understanding—and I will double-check it—is that our State has been privy to the negotiations. They have not taken a lead in those negotiations, but they certainly do have a vital interest in these issues, including scope of play, which is a problem because of vague definitions within the Act which we are going to have to address, in my judgment.

And the negotiating process, my State obviously has to have a decided interest in that. And in the regulatory side, obviously they have a decided interest, as I have indicated, because of the potential economic disadvantage it would put States like New Jersey if, in fact, we don't play by the same level playing field.

Mr. MILLER. Well, if you would check that out, I would appreciate it.

Mr. Chairman, finally, let me just say that I am told that in the entire history of the recognition process only nine out of 120 tribes that have sought recognition have ever been recognized under recognition process, and, I think in the one that we just did legisla-

tively, conditions were placed upon the recognition for the purposes of gaming which I think limited it only to bingo, and that was by agreement of the tribe and the State in South Carolina that that would be the condition of the recognition. So this is not a free and open process by which you just show up with a casino.

Mrs. ROUKEMA. Mr. Chairman, may I interject something here? There has been reference, at least two or three references, to our particular situation, and now Mr. Miller has again referred to the recognition, the conditions under which recognition are given.

I think the point is that there is no clarity under the law as to what can be permitted once a tribe achieves recognition. There is no reason to be hiring high-paid, multi-million-dollar lobbyists in Washington if this tribe simply wants local recognition for no other purpose but to automatically qualify for casino gambling. Now that certainly is the legal understanding, or legal interpretation that we have had now.

Mr. MILLER. They can't get recognition that way. They can get recognition——

Mrs. ROUKEMA. No, I am not talking about how they get recognition but once recognized——

Mr. MILLER. That is right. Once you are an Indian nation, you are an Indian nation, and you have all the rights and responsibilities of that nation.

Mrs. ROUKEMA. Exactly, and they would then qualify——

Mr. MILLER. But if they, in fact, can provide all of the evidence as to the recognition——

Mrs. ROUKEMA. Oh, exactly.

Mr. MILLER. You wouldn't say that they are not entitled to be recognized?

Mrs. ROUKEMA. No, I am not saying that, not at all. But I am saying with reference to a statement that was made earlier that no tribe who would be recognized after the law could then retroactively gain the right to Indian gambling. There was a reference made here earlier to that question, and I am saying that this Ramapough group, if—once recognized, will automatically qualify.

Mr. MILLER. That is their theory.

Mrs. ROUKEMA. Pardon me?

Mr. MILLER. That is their theory. I don't know if that is factual. I appreciate what they are saying.

Mrs. ROUKEMA. Yes.

May I make another point, because I think it is not specific to the question of criminal activity, but it is specific to the question of under what circumstances there should be recognition and how you qualify for gambling.

There is another situation in my district where there is a group that wants to invite a Delaware tribe from Oklahoma to relocate in Sussex County, New Jersey, and then they will qualify for Indian gambling.

Mr. MILLER. I hope their attorneys are earning a lot of money, because they have got an impossible case.

Mrs. ROUKEMA. I hope so, too. But you can see how things have gotten pretty far out of hand.

Mr. ABERCROMBIE. Mr. Chairman.

Mr. RICHARDSON. The chair recognizes the gentleman from Hawaii for one minute.

Mr. ABERCROMBIE. Less than one minute.

Mr. Chairman, before we go any further, I don't know if it is a point of order, but allegations are flying back and forth here about what the intentions are of a group called the Ramapough, and as far as I can see on the witness list they don't appear here, and I would just request that before we accept as gospel what the intentions of any particular individual or group are, they at least be given an opportunity to state for themselves what their intentions are or are not now.

If there are a group of people, a community, now engaged in the process of attempting to achieve tribal status through the processes that we have established, that is one thing, but, from my point of view, I don't accept the idea that someone else can speak for them as to what their intentions are.

Mr. RICHARDSON. Let me just state that the record will be open for two weeks in the hearing.

Let me thank your distinguished witnesses for being so patient and helpful. Let me mention, too, that all of you are welcome to join the panel as we move ahead in this hearing. I want thank the distinguished witnesses.

PANEL CONSISTING OF JIM E. MOODY, SECTION CHIEF, ORGANIZED CRIME/DRUG OPERATIONS, CRIMINAL INVESTIGATIVE DIVISION, FEDERAL BUREAU OF INVESTIGATION; LAURENCE A. URGENSON, ACTING DEPUTY ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, U.S. DEPARTMENT OF JUSTICE; DAVID B. PALMER, DEPUTY ASSISTANT COMMISSIONER FOR CRIMINAL INVESTIGATION, INTERNAL REVENUE SERVICE, ACCOMPANIED BY PETER G. DJINIS, DIRECTOR, OFFICE OF FINANCIAL MANAGEMENT, DEPARTMENT OF THE TREASURY

Mr. RICHARDSON. Now we move on to panel number two: Mr. Jim E. Moody, section chief, Organized Crime/Drug Operations, from the FBI; Mr. Laurence Urgenson, acting deputy assistant attorney general, Criminal Division, Department of Justice; David Palmer, deputy assistant commissioner for criminal investigation, IRS, accompanied by Mr. John Monaco, assistant commissioner for examination, IRS; and Mr. Peter Djinis, director, Office of Financial Management, U.S. Department of the Treasury.

I would ask that the hearing come to some reasonable order and that we move ahead with our first panel.

Gentlemen, let me welcome you to the subcommittee. As is the custom, your full statements will be submitted in the record, and we ask that you summarize your statement. The little light will be exercised. When you see the yellow light, it means that your five minutes are fast approaching. When you see the red light, we ask you to wrap up. So, again, thank you for coming.

We will start first with Mr. Jim Moody.

Let me also mention that our distinguished colleague from New Jersey, Bob Torricelli, has joined the panel, and he will be introducing our next witness.

I wonder if the gentleman from New Jersey wished to say anything at this time.

Mr. TORRICELLI. Mr. Chairman, only to thank you for holding these hearings.

As 49 governors have requested and the President of the United States has commented upon, there is a responsibility in this Congress to deal with the complexities confronted by Indian gaming. Your hearing today is an important beginning in that process, which I hope will take us to rectifying whatever problems we find during the process of these discussions.

In any case, I thank you for having these hearings and for allowing me to participate.

Mr. RICHARDSON. I thank the gentleman.

Mr. Moody, please proceed.

STATEMENT OF JIM E. MOODY

Mr. MOODY. Good morning, Mr. Chairman.

My name is Jim Moody. I am the section chief for the Organized Crime/Drug Operation Section for the Federal Bureau of Investigation. As such, my section is responsible for the FBI investigations of organized criminal enterprises such as the American La Cosa Nostra, Asian, and European organized crime groups. This section is also responsible for Italian organized crime groups such as the Sicilian Mafia Camorra and 'Ndrangheta.

I am pleased to appear here this morning to assist you and to discuss some of the law enforcement issues relative to the Indian Gaming Regulatory Act.

Organized crime is in the business of making money. They are motivated by greed and are consistently and constantly seeking ways to generate both legal and illegal monies from legal and illegal means. Since the gaming industry is a cash-intensive industry, those factors of cash and the need to generate legal and illegal money, coupled with the dynamics of the industry, makes it very attractive for organized crime to look at any type of gaming activity.

We have seen organized crime's involvement in gaming range from many activities associated with the industry. We have also heard many more rumors and innuendo than we have been able to prove over the years.

Most of the discussions of organized crime in the gaming industry seem to center on skimming. Now we define skimming as the generation of illegal income from a casino generally by the owners or those managing the casino. Skimming is completely different than embezzlement which generally involves the employees stealing monies from their employer.

There have been cases where organized crime has been involved in embezzlement of money from the casinos. There have also been cases where organized crime has sponsored teams of cheats that defraud the casinos. But we look at organized crime's infiltration of the casino in skimming as the most damaging form of organized crime. This occurs when they are able to control the casino.

Skimming has traditionally been accomplished through the use of a strawman. A strawman is a person controlled by organized crime who can undergo the scrutiny of a law enforcement back-

ground check and obtain a gaming license. There have been several strawman-type cases prosecuted in the United States which resulted in convictions of significant organized crime figures.

The strawman technique was used by organized crime on the Rincon Indian Reservation. This is the only FBI case wherein organized crime members have been convicted for attempting to control an Indian gaming establishment.

The FBI has learned over the years that strong regulation of the gaming industry and of its supporting industries is the best and most effective means of keeping organized crime out of the industry. Gaming regulations and enforcement are important for protecting Indian gaming because once organized crime gains control or gains a foothold, it becomes very, very difficult and extremely manpower intensive to remove organized crime from the casino.

As legalized gambling spreads throughout the United States, we expect that States with poor regulations and controls may experience an organized crime influx. We look at the primary responsibility for the gaming regulation and enforcement as resting with the State or with the National Indian Gaming Commission. The FBI becomes involved when organized crime is infiltrating a gaming operation. It is either ongoing or after the fact quite often before we may hear about it.

Now Indian gaming poses a unique challenge to the National Indian Gaming Commission. The FBI has investigative responsibilities on some of the reservations and we have investigative resources fully committed to these Indian reservations, as we have investigative resources fully committed to organized crime investigations.

The FBI, however, is not equipped to assume a regulatory or enforcement role in Indian gaming. We are willing to provide support to law enforcement and regulatory agencies that will have responsibility for monitoring Indian gaming, and, due to Federal laws and procedures, it is much easier for us to cooperate with regulatory agencies that do have law enforcement authorities than those that don't. Consequently, we would recommend that regulatory agencies have such law enforcement authority.

We will, however, continue to monitor the activities of organized crime, and if we discover organized crime involvement in Indian gaming, we will take appropriate action, as we have done in the past.

The gaming industry is a relatively closed industry. Dishonest employees will be quickly identified and dismissed. Honest management will identify problem employees long before law enforcement. The vast majority of gaming operations are run as legitimate legal enterprises. With strict regulation, strong internal control, strong enforcement, and constant vigilance, organized crime's infiltration can be impeded.

This concludes my shortened version of the statement, and I will be happy to answer any questions.

[Prepared statement of Mr. Moody follows:]

STATEMENT OF JIM E. MOODY

SECTION CHIEF

ORGANIZED CRIME/DRUG OPERATIONS

CRIMINAL INVESTIGATIVE DIVISION

FEDERAL BUREAU OF INVESTIGATION

BEFORE THE

SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

COMMITTEE ON NATURAL RESOURCES

UNITED STATES HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

OCTOBER 5, 1993

GOOD MORNING, MR. CHAIRMAN, SUBCOMMITTEE MEMBERS, AND STAFF. MY NAME IS JIM MOODY AND I AM THE SECTION CHIEF OF THE ORGANIZED CRIME/DRUG OPERATIONS SECTION #2 OF THE FEDERAL BUREAU OF INVESTIGATION.

MY SECTION IS RESPONSIBLE FOR THE FBI INVESTIGATIONS OF ORGANIZED CRIMINAL ENTERPRISES SUCH AS THE LA COSA NOSTRA, ASIAN AND EUROPEAN ORGANIZED CRIME GROUPS. THE SECTION IS ALSO RESPONSIBLE FOR INVESTIGATIONS OF ITALIAN ORGANIZED CRIME GROUPS SUCH AS THE SICILIAN MAFIA, 'NDRANGHETA AND CAMORRA.

I AM PLEASED TO APPEAR HERE THIS MORNING TO ASSIST YOU IN YOUR OVERSIGHT FUNCTION AND TO DISCUSS SOME OF THE LAW ENFORCEMENT ISSUES RELATIVE TO THE INDIAN GAMING REGULATORY ACT.

BEFORE WE CAN SPECIFICALLY ADDRESS ORGANIZED CRIME'S INTEREST IN INDIAN GAMING, I THINK IT IS IMPORTANT TO HAVE AN UNDERSTANDING OF ORGANIZED CRIME. ORGANIZED CRIME IS IN THE BUSINESS OF MAKING MONEY.

THEY ARE MOTIVATED BY GREED AND ARE CONSTANTLY SEEKING WAYS TO GENERATE WEALTH AND POWER THROUGH BOTH LEGAL AND ILLEGAL MEANS. ORGANIZED CRIME HAS, AND WILL CONTINUE TO USE VIOLENCE, INTIMIDATION, FEAR AND CORRUPTION TO OBTAIN ITS GOALS. THEY CORRUPT INDIVIDUALS, POLITICAL SYSTEMS AND INSTITUTIONS.

THE GAMING INDUSTRY IS A CASH INTENSIVE INDUSTRY. THE VAST SUMS OF CASH THAT ARE HANDLED BY CASINOS RIVAL THAT OF SOME BANKS. THESE FACTORS, COUPLED WITH ORGANIZED CRIME'S HISTORICAL INVOLVEMENT IN ILLEGAL GAMBLING, MAKE ANY GAMING ACTIVITY ATTRACTIVE TO ORGANIZED CRIME. THEY WILL ATTEMPT TO INFILTRATE ANY OPERATION OR INDUSTRY, NOT JUST GAMING, THAT THEY BELIEVE IS VULNERABLE.

HISTORICALLY, WE HAVE SEEN ORGANIZED CRIME'S INVOLVEMENT IN GAMING RANGE FROM CONTROLLING LEGAL BINGO PARLORS AND "LAS VEGAS NIGHTS" FOR CHARITIES, TO ILLEGAL NUMBERS OPERATIONS AND INFILTRATING MAJOR CASINOS AND THEY ARE ALLEGED TO EVEN OWN OFFSHORE

CASINOS. ORGANIZED CRIME HAS ALSO GAINED INFLUENCE BY CONTROLLING SOME OF THE ANCILLARY SERVICE INDUSTRIES AND LABOR UNIONS THAT SERVE CASINOS.

MOST DISCUSSIONS OF ORGANIZED CRIME INFILTRATION IN THE GAMING INDUSTRY SEEM TO CENTER ON THE ISSUE OF SKIMMING. WE DEFINE SKIMMING AS GENERATING ILLEGAL INCOME FROM A CASINO BY OWNERS, BY A CONTROL GROUP OF A CORPORATION, BY CASINO MANAGERS, OR BY THE OWNERS ON BEHALF OF HIDDEN INTERESTS. SKIMMING IS DIFFERENT THAN EMBEZZLEMENT, WHICH INVOLVES EMPLOYEES STEALING MONEY FROM THEIR EMPLOYER, OR FROM THEFT, WHICH IS AN OUTSIDE PERSON OR GROUP STEALING FROM THE CASINO WITHOUT THE KNOWLEDGE OF THE MANAGEMENT. ORGANIZED CRIME HAS USED ALL OF THESE METHODS TO GET MONEY ILLEGALLY FROM CASINOS.

THERE HAVE BEEN CASES WHERE ORGANIZED CRIME MEMBERS AND ASSOCIATES HAVE BEEN INVOLVED IN THE EMBEZZLEMENT OF MONEY FROM CASINOS BY WORKING IN

CONCERT WITH EMPLOYEES TO CHEAT AT CASINO GAMES. THERE HAVE ALSO BEEN ORGANIZED CRIME SPONSORED TEAMS OF CHEATS THAT HAVE GONE INTO CASINOS TO DEFRAUD THE CASINOS WITHOUT THE INVOLVEMENT OF CASINO EMPLOYEES. STRONG INTERNAL CONTROLS BY THE CASINOS AIDED IN THEIR APPREHENSION.

THE MOST DANGEROUS AND POTENTIALLY MOST DAMAGING FORM OF ORGANIZED CRIME INFILTRATION OF GAMING OCCURS WHEN THEY ARE ABLE TO CONTROL A CASINO AND/OR ITS SUPPORTING SERVICES. WHOLESALE SKIMMING FROM A CASINO CANNOT OCCUR WITHOUT MANAGEMENT INVOLVEMENT.

SKIMMING HAS TRADITIONALLY BEEN ACCOMPLISHED THROUGH THE USE OF A "STRAWMAN". A "STRAWMAN" IS A PERSON CONTROLLED BY ORGANIZED CRIME WHO CAN UNDERGO THE SCRUTINY OF A LAW ENFORCEMENT BACKGROUND CHECK AND OBTAIN A GAMING LICENSE.

THERE HAVE BEEN SEVERAL "STRAWMAN"-TYPE

CASES PROSECUTED THROUGHOUT THE 1970S AND 1980S. THESE CASES HAVE RESULTED IN THE CONVICTIONS OF SIGNIFICANT ORGANIZED CRIME FIGURES AND HAVE DEMONSTRATED THAT WITHOUT MANAGEMENT'S SUPPORT, LARGE SCALE, SYSTEMATIC SKIMMING AND MONEY LAUNDERING CANNOT OCCUR WITHIN A CASINO.

THE "STRAWMAN" TECHNIQUE WAS EVIDENT IN THE ATTEMPT BY THE CHICAGO ORGANIZED CRIME FAMILY TO OBTAIN A HIDDEN OWNERSHIP OR CONTROL OF THE GAMING OPERATIONS ON THE RINCON INDIAN RESERVATION NEAR SAN DIEGO, CALIFORNIA. THIS IS THE ONLY FBI CASE WHEREIN ORGANIZED CRIME MEMBERS WERE CONVICTED FOR ATTEMPTING TO CONTROL AN INDIAN GAMING ESTABLISHMENT. THIS CASE DEMONSTRATED THE IMPORTANCE OF INTELLIGENCE AND VIGILANCE IN THE FIGHT TO KEEP ORGANIZED CRIME OUT OF INDIAN GAMING.

FROM OUR EXPERIENCE, THE FBI HAS LEARNED THAT STRONG REGULATION OF THE GAMING INDUSTRY, AS A WHOLE, AND OF ITS SUPPORTING INDUSTRIES IS THE BEST AND MOST

EFFECTIVE MEANS OF KEEPING ORGANIZED CRIME OUT OF THE INDUSTRY. MUCH CAN BE LEARNED FROM THE GAMING REGULATIONS THAT REGULATE THE NEVADA AND NEW JERSEY GAMING INDUSTRIES. GAMING REGULATIONS AND ENFORCEMENT, SIMILAR TO WHAT IS IN PLACE IN NEVADA AND NEW JERSEY, ARE IMPORTANT FOR PROTECTING INDIAN GAMING. ONCE ORGANIZED CRIME GAINS A FOOTHOLD, IT BECOMES VERY DIFFICULT AND EXTREMELY MANPOWER INTENSIVE TO REMOVE THEM.

AS LEGALIZED GAMING SPREADS THROUGHOUT THE UNITED STATES, WE ARE SEEING THAT THOSE STATES WITH STRONG REGULATIONS AND ENFORCEMENT ARE NOT EXPERIENCING AN INFLUX OF ORGANIZED CRIME ACTIVITY. HOWEVER, WE EXPECT THAT STATES WITH POOR REGULATIONS AND CONTROLS MAY EXPERIENCE SUCH AN INFLUX.

PRIMARY RESPONSIBILITY FOR GAMING REGULATION AND ENFORCEMENT RESTS WITH THE STATE OR WITH THE NATIONAL INDIAN GAMING COMMISSION. THE FBI TRADITIONALLY BECOMES INVOLVED WHEN ORGANIZED CRIME

IS ILLEGALLY INFILTRATING A GAMING OPERATION OR WHEN THE CRIMINAL ACTIVITY INVOLVES MORE THAN ONE STATE. IN SOME INSTANCES OF ORGANIZED CRIME INFILTRATION, THE USE OF FEDERAL STATUTES, SUCH AS RICO OR FEDERAL ELECTRONIC SURVEILLANCE STATUTES ARE ESSENTIAL FOR SUCCESSFUL INVESTIGATION AND PROSECUTION.

INDIAN GAMING POSES A UNIQUE CHALLENGE TO THE NATIONAL INDIAN GAMING COMMISSION. THE FBI HAS INVESTIGATIVE RESPONSIBILITIES ON SOME RESERVATIONS AND HAS TRADITIONALLY INVESTIGATED FEDERAL GAMBLING VIOLATIONS. IN THESE TIMES OF BUDGETARY RESTRAINT, THE INVESTIGATIVE RESOURCES OF THE FBI ARE FULLY COMMITTED AND THE FBI IS NOT EQUIPPED TO ASSUME A REGULATORY OR ENFORCEMENT ROLE IN INDIAN GAMING. THE FBI IS WILLING TO PROVIDE SUPPORT TO LAW ENFORCEMENT AND REGULATORY AGENCIES THAT WILL HAVE THE RESPONSIBILITY OF MONITORING INDIAN GAMING. DUE TO FEDERAL LAWS AND PROCEDURES, IT IS MUCH EASIER FOR US TO COOPERATE WITH REGULATORY AGENCIES THAT

HAVE LAW ENFORCEMENT AUTHORITY THAN THOSE THAT DON'T. CONSEQUENTLY, WE WOULD RECOMMEND THAT REGULATORY AGENCIES HAVE SUCH AUTHORITY. WE WILL, HOWEVER, CONTINUE TO MONITOR THE ACTIVITIES OF ORGANIZED CRIME AND, IF WE DISCOVER ORGANIZED CRIME INVOLVEMENT IN INDIAN GAMING, THE FBI WILL TAKE APPROPRIATE ACTION, AS WE HAVE DONE IN THE PAST.

THE GAMING INDUSTRY IS A RELATIVELY CLOSED INDUSTRY. THE INDIVIDUALS THAT MANAGE AND OPERATE CASINOS WILL QUICKLY RECOGNIZE EMBEZZLEMENT OR THEFT IN THEIR OPERATIONS. DISHONEST EMPLOYEES WILL BE QUICKLY IDENTIFIED AND DISMISSED IN CASINOS THAT ARE SUBJECTED TO STRONG REGULATION AND ENFORCEMENT. HONEST MANAGEMENT WILL IDENTIFY PROBLEM EMPLOYEES LONG BEFORE LAW ENFORCEMENT. THE VAST MAJORITY OF GAMING OPERATIONS ARE RUN AS LEGITIMATE LEGAL BUSINESSES. THE GAMING INDUSTRY IS VERY IMAGE CONSCIOUS, PROFIT DRIVEN, AND HAS A VESTED INTEREST IN ENSURING THAT THE CRIMINAL ELEMENT IS KEPT OUT OF THE

INDUSTRY. WITH STRICT REGULATION, STRONG INTERNAL CONTROL, STRONG ENFORCEMENT AND CONSTANT VIGILANCE, ORGANIZED CRIMES INFILTRATION CAN BE IMPEDED.

THIS CONCLUDES MY OPENING STATEMENT AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS.

Mr. RICHARDSON. I thank the gentleman.

The chair recognizes Mr. Laurence Urgenson, acting deputy assistant attorney general, Criminal Division, Department of Justice, and I would ask the gentleman from Hawaii to temporarily chair.

STATEMENT OF LAURENCE A. URGENSON

Mr. URGENSON. Mr. Chairman, members of the subcommittee, good morning. My name is Larry Urgenson. I am an acting deputy assistant attorney general in the Criminal Division of the Department of Justice. I am happy to be here today to testify concerning the important issue of Indian gaming.

As you well know, for several years Congress labored to develop legislation that would accommodate the conflicting interests of law enforcement agencies, opponents of Indian gaming, champions of Tribal sovereignty, and those who saw gaming as a solution to the enormous economic problems of the Native American tribes. The result of that labor was the enactment of the Indian Gaming Regulatory Act in October 1988.

The congressional findings and policies explicitly set forth in the Act and implicit in its regulatory scheme are strongly supportive of the Native American tribes' need and right to conduct gaming while recognizing the need for regulation and the prevention of infiltration by organized crime.

The Department of Justice is dedicated to responding promptly to serious and flagrant noncompliance with Indian gaming laws. The Department will utilize its enforcement weapons against operations conducted without tribal sanctions or where there is evidence of organized crime infiltration, skimming, or other forms of crime.

Although we have successfully prosecuted certain instances of criminal activity in connection with gaming on Indian lands, I emphasize that the belief held by some that Indian gaming operations are rife with serious criminality is not established by the data currently available.

The Department of Justice believes that to date there has not been widespread or successful effort by organized crime to infiltrate Indian gaming operations. For several years, the FBI has focused its efforts on monitoring these organizations and their associates so that they will be apprehended if they engage in illegal activity or attempt to infiltrate legitimate enterprises. Because monitoring these families is one of the FBI's highest priorities, I am confident that any evidence of Federal crime that may be developed will be fully investigated and referred to the United States Attorneys for appropriate action.

Similarly, there has been little evidence of illegal activity committed by criminal elements not associated with the major organized crime families. Again, on those occasions when such allegations have been brought to our attention, they have been investigated, and when sufficient evidence was developed for conviction, we have not hesitated to prosecute. Two examples are our prosecution of a Native American official who skimmed the receipts of a tribe's bingo hall and the prosecution of persons who looted and burned a New York casino. There are a handful of investigations into allegations of similar misconduct now being conducted.

Finally, there are instances of illegal gaming in Indian country. These instances include regulatory violations stemming from gaming conducted by tribes on Indian lands and gaming that is conducted on Indian lands but not by Native American tribes.

Gaming that is not operated under tribal auspices cannot be legal under any circumstances. I believe that all operations in this category have been shut down.

However, even certain gaming activity conducted under tribal auspices may be illegal. The Indian Gaming Regulatory Act established the regulatory framework for this gaming and provides different requirements for games separated into three classes. Class I, social gaming, is solely regulated by the tribes. Class II gaming requires administrative approval of management contracts and tribal gaming ordinances. The National Indian Gaming Commission has oversight responsibilities with respect to the Class II requirements.

The principal category of gaming characterized as illegal consists of those games which arguably, but not clearly, are Class III games and which are conducted without a compact negotiated between the State and tribe as required under the Gaming Act.

In some cases, the gaming classification is in dispute because of the tribe's claim that the game properly falls in Class II and requires no compact.

The final gaming definitions which have been issued by the Commission should give greater certainty to the gaming classification. Nevertheless, some classification issues remain in dispute.

There are many possible sources for confusion and frustration for law enforcement when Class III gaming is at issue. In some instances of clear, admitted Class III gaming, a State may change its law to permit previously forbidden games, thus obligating the States to enter into compact negotiations they were once able to refuse. A tribe may be conducting Class III gaming without a compact, but the State and tribe may be in the course of negotiations that may result in a compact that allows the games. A State may have negotiated the inclusion of certain games in a compact but has declined to include certain other games or has placed limits on them. The prosecutor is then uncertain whether the tribe will discontinue the games or file suit under the Gaming Act.

A tribe may be conducting gaming without a compact but has filed suit against the State because the compact negotiation process has reached an impasse. A related complication is that some States have successfully blocked these tribal suits by invoking the immunities of the 10th and 11th amendments.

Under these circumstances, the United States Attorneys are faced with difficult decisions. It can be hard to justify the expenditure of resources for those alleged violations which are in the process of resolution and which, under the Gaming Act, may eventually be validated by actions of the Commission, the State, or the courts.

In sum, the current record does not support the argument that there is widespread infiltration of organized crime into gaming on Indian reservations. However, there is gaming of disputable legality, some of which will eventually come into compliance with the Gaming Act after negotiations between the tribe and the State.

If the tribes and States continue to negotiate in good faith under the published regulations of the Commission, there will be far fewer regulatory violations. We will continue to be diligent in this area. The Department has repeatedly warned that the flow of currency through Indian casinos requires vigilance to avert illegal activities such as embezzlement, fraud, money laundering, as well as to protect the tribes' interests. Strict compliance with the scheme of regulation ordained by Congress is of utmost importance.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions that the subcommittee may have.

[Prepared statement of Mr. Urgenson follows:]



Department of Justice

STATEMENT

OF

LAURENCE A. URGENSON

ACTING DEPUTY ASSISTANT ATTORNEY GENERAL

CRIMINAL DIVISION

BEFORE THE

SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

COMMITTEE ON NATURAL RESOURCES

UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

THE OVERSIGHT OF THE INDIAN GAMING REGULATORY ACT

ON

OCTOBER 5, 1993

Mr. Chairman and Members of the Subcommittee --

Good Morning. My name is Larry Urgenson. I am an Acting Deputy Assistant Attorney General in the Criminal Division of the Department of Justice.

I am happy to be here today to testify concerning the important issue of Indian gaming. As the agency responsible for the enforcement of criminal violations of federal gambling laws, and in particular, the Indian Gaming Regulatory Act (IGRA), the Department has a keen interest in the compliance with Indian gaming laws. As you well know, for several years Congress labored to develop legislation that would accommodate the conflicting interests of law enforcement agencies, opponents of Indian gaming, champions of tribal sovereignty and those who saw gaming as a solution to the enormous economic problems of the Native American tribes. The result of that labor was the enactment of the Indian Gaming Regulatory Act in October 1988.

The congressional findings and policies explicitly set forth in IGRA, and implicit in its regulatory scheme, are strongly supportive of the Native American tribes need and right to conduct gaming while recognizing the need for regulation and prevention of the infiltration by organized crime.

The Department of Justice is dedicated to responding promptly to serious and flagrant non-compliance with Indian gaming laws. The Department will utilize its enforcement weapons against operations conducted without tribal sanctions, or where there is evidence of organized crime infiltration, skimming or other forms of crime. I cite several recent examples:

- * Prosecutions were brought against private entrepreneurs operating casinos in violation of tribal, state and federal laws on the St. Regis Mohawk reservation in the Northern District of New York;

- * Casinos operated without tribal authority were closed down in the District of Montana and the Eastern District of Oklahoma;

- * A casino operation in the Northern District of California was closed down when reports of skimming by the manager, allegedly an associate of organized crime figures, was investigated;

- * In the Southern District of California, an Indian official who skimmed from the tribal gaming establishment he managed was convicted of embezzlement, and his wife was convicted of income tax violations; and

- * Several members of a New York tribe who, after taking over a tribal casino from its authorized operators, divided up the take and then firebombed the facility, were successfully prosecuted for those offenses.

Although we have successfully prosecuted certain instances of criminal activity in connection with gaming on Indian lands, I emphasize that the belief held by some that Indian gaming operations are rife with serious criminality is not established by the data currently available. That belief breaks down into three assertions: (1) that the tribal games have been infiltrated by organized crime families; (2) that the tribes have been victimized by criminal elements not associated with the major crime families; and (3) that the tribes are conducting illegal gaming.

The Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations. For several years, the FBI has focussed its efforts on monitoring these organizations and their associates so that they will be apprehended if they engage in illegal activity or attempt to infiltrate legitimate enterprises. One such investigation has revealed an unsuccessful attempt to infiltrate the gaming operation of the Rincon Band in California. This investigation resulted in the indictment of ten men, and the conviction of all but one, on charges of racketeering, extortion, mail fraud and wire fraud. Moreover, the FBI now has fewer than five open investigations of organized crime family activity relating to gaming on Indian lands. Because monitoring these families is one of the FBI's highest priorities, I am confident that any evidence of federal crime

that may develop will be fully investigated and referred to the United States Attorneys for appropriate action.

Similarly, there has been little evidence of illegal activity committed by criminal elements not associated with the major organized crime families. Again, on those occasions when such allegations have been brought to our attention, they have been investigated, and when sufficient evidence is developed for conviction, we have not hesitated to prosecute. Two examples are our prosecution of a Native American official who skimmed the receipts of his tribe's bingo hall and the prosecution of persons who looted and burned a New York casino. There are a handful of investigations into allegations of similar misconduct now being conducted.

Finally, there are instances of illegal gaming in Indian country. These instances include regulatory violations stemming from gaming conducted by tribes on Indian lands and gaming that is conducted on Indian lands, but not by Native American tribes. Gaming that is not operated under tribal auspices, such as the casinos on Crow and Choctaw lands, cannot be legal under any circumstances. I believe that all operations in this category have been shut down.

However, even certain gaming activity conducted under tribal auspices may be illegal. The Indian Gaming Regulatory Act

established the regulatory framework for this gaming, and provides different requirements for games separated into three classes. Classes I (social) gaming is solely regulated by the tribes. Class II gaming requires administrative approval of management contracts and tribal gaming ordinances. The National Indian Gaming Commission (the Commission) has oversight responsibilities with respect to the Class II requirements.

The principal category of gaming characterized as illegal consists of those games which arguably, but not clearly, are class III games, and which are conducted without a compact negotiated between the state and tribe, as required by IGRA. In some cases, the gaming classification is in dispute because the tribes claim that the game properly falls in class II and requires no compact. The final gaming definitions, which have been issued by the Commission, should give greater certainty to gaming classification. Nevertheless, some classification issues remain in dispute, although both district and appellate courts have approved both specific definitions and the Commission's interpretive approach to IGRA provisions.

There are many possible sources of confusion and frustration for law enforcement when class III gaming is at issue:

* In some instances of clear, admitted class III gaming, a state may change its law to permit previously forbidden games,

thus obligating the states to enter into compact negotiations they were once able to refuse.

* A tribe may be conducting class III gaming without a compact, but the state and tribe may be in the course of negotiations that may result in a compact that allows the games.

* A state has negotiated the inclusion of certain games in a compact, but has declined to include certain others, or has placed limits upon them. The prosecutor is then uncertain whether the tribe will discontinue the games, or file suit under IGRA.

* A tribe may be conducting gaming without a compact, but has filed suit against the state because the compact negotiation process has reached an impasse. A related complication is that some states have successfully blocked these tribal suits by invoking the immunities of the 10th and 11th Amendments.

Under these circumstances, United States Attorneys are faced with the difficult decision of whether to allocate scarce investigative and prosecutorial resources. It can be hard to justify the expenditure of resources for these alleged violations which are in the process of resolution and which, under IGRA, may eventually be validated by actions of the Commission, the state or the courts.

Let me give you a few examples of these predicaments:

* After encouraging the United States Attorney to announce that she would not tolerate illegal gambling devices on Montana reservations when there was no compact, the state Attorney General appealed to his congressional delegation to have the Congress grant a special six month immunity to violators in that state.

* In Oklahoma, shortly after the state Attorney General filed a brief in federal court demonstrating the illegality of slot machines, the Governor negotiated a compact for their introduction on to tribal lands. When the tribe later sought to enjoin the United States Attorney for the Western District from interfering with their devices, the federal court held, in accord with the views of both the Attorney General and the United States Attorney, that the devices were illegal under Oklahoma law and were not the proper subject of negotiation. The Court of Appeals for the Tenth Circuit affirmed.

* In Arizona, after state officials made clear that they would not negotiate with respect to slot machines, the United States Attorney, through repeated warnings, effected the closure of seven casinos. Two closed after her final warning and the others were shut down by seizure of their machines. One reservation resisted the seizure and, during the ensuing stand-off, the Governor intervened as mediator.

The Arizona Governor entered into compacts with four of the tribes. When three of the tribes each made what he considered unreasonable demands for 2500 machines, he broke off negotiations and was sued. The court denied the immunity claims and sent the matter to a mediator who selected the compacts proposed by the tribes. In response, a special session of the legislature was called to enact legislation that declared all gaming illegal except for the state-run lottery and parimutuel horse and dog racing. (The question will soon be the subject of a state referendum.)

Finally, the sensitive relationship between the tribes and the United States Attorneys also inhibits precipitous action. The federal government has a trust obligation to encourage tribal self-government and economy, Congress has endorsed gaming as a legitimate measure for raising revenue, and the United States Attorneys are in constant collaboration on other governmental matters with the tribal officials who are also involved in the gaming disputes. Given the uncertainty that exists over whether or not tribes may engage in particular forms of gaming, the risk of violence attendant upon enforcement of regulatory provisions, and the nature of federal-tribal relations, the caution federal prosecutors are exercising in moving against the tribes is understandable and appropriate.

In sum, the current record does not support the argument that there is widespread infiltration of organized crime into gaming on Indian reservations. However, there is gaming of disputable legality, some of which eventually comes into compliance with IGRA, after negotiations between the tribe and state. If the tribes and states continue to negotiate in good faith under the published regulations of the Commission, there will be far fewer regulatory violations.

We will continue to be diligent in this area. The Department of Justice has repeatedly warned that the flow of currency through Indian casinos requires vigilance to avert illegal activities such as embezzlement, fraud and money laundering, as well as to protect the tribes' interests. This observation is true of non-Indian gaming as well. Strict compliance with the scheme of regulation ordained by Congress is of utmost importance to insure the benefits of lawful gaming by the Indian tribes.

Mr. Chairman, this concludes my statement. I will be glad to answer any questions from you and other members of the Subcommittee.

Mr. RICHARDSON. Thank you.
The chair recognizes Mr. David Palmer.

STATEMENT OF DAVID B. PALMER

Mr. PALMER. Thank you very much, Mr. Chairman, good morning, and members of the subcommittee.

I am David Palmer, the deputy assistant commissioner for the Criminal Investigation Division of the Internal Revenue Service. With me today is Mr. Peter Djinis, director of the Office of Financial Enforcement, Department of the Treasury. The Office of Financial Enforcement is the office responsible for the Bank Secrecy Act compliance and enforcement.

We appreciate this opportunity to appear before you today to discuss current IRS activities involving enforcement of Internal Revenue Code Section 6050I and the Bank Secrecy Act, also known as the BSA, as they relate to casinos and the Indian gaming industry.

The IRS is strongly committed in its efforts to fight money laundering and to increase compliance with the currency reporting laws while maintaining an overall effective tax administration program. Because of the efforts of law enforcement and regulatory compliance functions, money laundering techniques are constantly changing. Where once we concentrated our efforts on the deposit of large sums of cash into banks, we now focus our efforts towards less traditional methods of money laundering such as the use of nonbank financial institutions, including money transmitters, check cashing businesses, and casinos.

The Internal Revenue Service has a dual responsibility in its anti-money-laundering role. IRS, through its Criminal Investigation Division, has been delegated authority to conduct criminal investigations relative to financial transactions involving money laundering activity. This includes the criminal money laundering offenses of Title 18 and the currency reporting crimes of the BSA, Title 31, and Internal Revenue Code Section 6050I, Title 26.

The IRS Examination Division is responsible for ensuring compliance with the reporting and record-keeping provisions of the BSA by all financial institutions under its jurisdiction. These include any financial institution not under the supervision of Federal bank regulatory agencies or the Securities and Exchange Commission—basically, all nonbank financial institutions, including casinos, except those located in Nevada.

The Examination Division also is responsible for ensuring compliance with Section 6050I which presently applies to all trades or businesses other than those subject to BSA, including Indian gaming operations.

A database of these required currency reports is maintained by IRS in the currency and banking retrieval system at our Detroit Computing Center. This database is used by IRS for civil and criminal law enforcement and tax administration purposes.

Certain BSA information contained in the database is also disseminated to other Federal and State agencies for law enforcement and regulatory purposes.

Non-tribal casinos have been subject to the BSA currency reporting and record-keeping requirements since 1985. Like other finan-

cial institutions, non-tribal casinos must complete a currency reporting form, a Currency Transaction Report for Casinos, or a CTRC, for all currency transactions in excess of \$10,000 whether as a deposit, a withdrawal, an exchange, a redemption or purchase of chips, receipts from a slot machine payoff, et cetera.

In addition, like the other financial institutions, non-tribal casinos must maintain specific financial records for five years including payer rating cards maintained by the casino to monitor its customers' wagering, wins, and losses. The IRS Examination Division has been delegated the authority to examine these non-tribal casinos for compliance with the BSA requirements.

Pursuant to a 1985 memorandum of agreement with the Department of the Treasury, the State Gaming Control Board assumes regulatory responsibility for casinos located in Nevada. Nevada casinos file reports similar to the CTRC's directly with the State Gaming Control Board under State regulatory requirements. These reports are then forwarded to the IRS for inclusion in the Detroit computing center database along with the other CTRC's.

Prior to the BSA application to casinos, money laundering activities occurred involving casinos in a variety of ways, including the purchase of chips with large amounts of cash and later redeeming the chips for casino cashiers' checks without any significant gambling. Casinos also have been utilized to exchange narcotics proceeds in small denomination bills for \$100 bills to ease smuggling cash out of the country.

The currency reporting and record-keeping features of the BSA have enabled the IRS to utilize the CTRC's and similar documents to successfully identify and prosecute individuals involved in money laundering where casinos were involved.

Pursuant to the new Treasury Department regulations effective March 1, 1994, each casino will have to develop and implement a BSA compliance program reasonably designed to assure and monitor compliance with the Bank Secrecy Act. These BSA compliance programs are similar to those imposed on all Federally regulated banks since 1987 which have proven to be extremely successful.

Section 20(d)(1) of the Indian Gaming Regulatory Act provides that certain provisions of the Internal Revenue Code, including section 6050I, shall apply to Indian gaming operations. There is a technical defect in the Act which says Section 6050I pertains to gambling winnings. However, Section 6050I applies only to incoming cash and not to cash-out or winnings as indicated by the Act.

Nevertheless, it is our view that Indian tribal casinos are presently subject to the limited currency reporting requirements under Section 6050I which pertain to cash received and contain no record-keeping requirements. In comparison, the BSA mandates a comprehensive currency reporting and detailed record-keeping system with numerous anti-money-laundering safeguards. Section 6050I requires the reporting of receipts of cash in excess of \$10,000 on form 8300, which is the report of cash payments over \$10,000 received in a trade or business.

The following example illustrates the distinction between a non-tribal casino required to file a CTRC as compared to an Indian tribal casino required to file form 8300.

Casino A is a nontribal casino subject to the Bank Secrecy Act. Casino B is a tribal casino subject to Section 6050I. Gambler Doe walks into Casino A and purchases chips for \$15,000 in cash. At the end of the night, Gambler Doe cashes in his chips, including winnings, and gets \$25,000 in cash.

Casino A is required to file a CTRC which provides identification information on Gambler Doe and reports both of the transactions, the cash in a bond entry, the \$15,000, and the cash out, a bond departure, the \$25,000.

Gambler Doe then enters Casino B and purchases chips in exchange for \$15,000 in cash. He later departs and cashes in the chips for \$35,000 in cash. Pursuant to Section 6050I, Casino B is only required to provide Gambler Doe's identification and report only the first half of the transaction, the incoming cash.

Mr. Chairman, based on the IRS and Treasury involvement with the Indian gaming industry to date, I am providing the following joint IRS/Treasury recommendation for the subcommittee.

We recommend a statutory amendment to both the Bank Secrecy Act and the Indian Gaming Regulatory Act to specify that Indian gaming operations are subject to the Bank Secrecy Act rather than to Section 6050I. The comprehensive nature of the Bank Secrecy Act would provide additional safeguards to the tribes while providing law enforcement the paper trail necessary for effective and efficient financial enforcement.

In addition, the IRS and Treasury plan to work jointly with the Justice Department to coordinate a national Indian gaming conference and will continue the ongoing outreach educational initiatives with the Indian gaming industry.

In conclusion, I would like to emphasize that our goal is to strengthen the cooperative relationships among the Federal agencies working with the Indian gaming industry, and I thank the subcommittee for its interest in our activities relating to money laundering enforcement and the Indian gaming industry.

We would be happy to respond to any questions, Mr. Chairman.
[Prepared statement of Mr. Palmer follows:]

Statement of

David B. Palmer
Deputy Assistant Commissioner
(Criminal Investigation)
Internal Revenue Service

Before the

Subcommittee on Native American Affairs
House Committee on Natural Resources

**Money Laundering Enforcement and the
Indian Gaming Industry**

October 5, 1993



**STATEMENT OF
DAVID B. PALMER
DEPUTY ASSISTANT COMMISSIONER (CRIMINAL INVESTIGATION)
INTERNAL REVENUE SERVICE**

BEFORE THE

**SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
HOUSE COMMITTEE ON NATURAL RESOURCES
OCTOBER 5, 1993**

Mr. Chairman and Members of the Subcommittee:

With me today is Peter G. Djinis, Director of the Office of Financial Enforcement, Department of the Treasury. The Office of Financial Enforcement is the office responsible for Bank Secrecy Act compliance and enforcement. We appreciate this opportunity to appear before you today to discuss current IRS activities involving enforcement of Internal Revenue Code Section 6050I ("Section 6050I") and the Bank Secrecy Act ("BSA") as they relate to casinos and the Indian Gaming industry.

More specifically, I hope to provide you with a broader understanding of what money laundering is and how it can occur in a casino and the Indian Gaming industry; IRS' role in money laundering enforcement; and, how Section 6050I and the Bank Secrecy Act safeguard against money laundering while assisting the IRS in its anti-money laundering enforcement and tax administration. The IRS is strongly committed in its efforts to fight money laundering and to increase compliance with the currency reporting laws while maintaining an effective overall tax administration program.

I. INTRODUCTION

Simply put, money laundering is any method used to conceal or disguise the existence and origin of money generated from illicit activity, including tax evasion. The objective of those engaged in money laundering is to move the illicit proceeds into and through the financial system and then back into the economy in a form which appears legitimate -- the source of which cannot be traced. Money laundering is executed in three stages: 1) Placement, 2) Layering, and 3) Integration.

The "Placement" stage is the initial process by which launderers inject their illicit proceeds into the financial system. This may include the physical disposal of large amounts of cash into banks, as we saw during the late 1970s and early 1980s; or by "structuring" or "smurfing" cash deposits of less than \$10,000 into banks and other financial institutions including casinos. Many other methods of placement exist including the smuggling of bulk cash out of the United States for placement into the financial system in other jurisdictions. Generally, during the placement stage money launderers must utilize bank and nonbank financial institutions (NBFIs), including casinos.

Structuring is the technique for depositing cash or converting it to monetary instruments to avoid the filing of currency reporting forms. For example: Person A has a total of

\$18,000 in currency and wants to deposit it into a bank account without a currency transaction report being filed by the bank with the government. Person A purchases a cashiers check for \$9,000 then deposits the cashier's check with the remaining \$9,000 in cash in the bank account. Under the BSA, Person A has structured his financial transactions to avoid the currency reporting laws.

Once the illicit proceeds are placed into the financial system, they are easily moved around to separate the funds from their source by creating complex layers of financial transactions. This is known as the "Layering" stage and often money launderers convert the placed cash into cashiers checks or wire transfer funds from one bank account to another, from one bank to another, and from one country to another. These layers of financial transactions, even with their paper trails, make it difficult (and sometimes impossible due to foreign bank secrecy laws) for law enforcement to follow and trace the illicit funds back to the launderer or illicit activities.

The final stage of the money laundering process is "Integration" where the launderer moves the funds back into the economy by creating a legitimate appearance or explanation of the once illicit proceeds. The use of front companies, sham loans, real estate transactions and gambling winnings are just a few examples of the integration of illicit proceeds into the economy.

After the illicit proceeds are integrated back into the economy, the launderers have successfully completed their objective. Many people equate money laundering solely with the proceeds of narcotics trafficking. However, to IRS it includes income derived from any illicit activity, including white collar crime, as well as unreported income from an otherwise legitimate activity.

Because of the efforts of law enforcement and regulatory compliance functions, money laundering techniques are constantly changing. Where once we concentrated our efforts on the deposit of large sums of cash into banks, we now focus our efforts toward less traditional methods of money laundering, such as the use of non-bank financial institutions (NBFIs) including casas de cambio, money transmitters, giros, check cashing businesses, casinos, and those that sell money orders. Further, experience has shown that money launderers have not stopped at the use of non-bank financial institutions; rather, they have utilized cash intensive trades and businesses, and have resorted to cash purchases of material assets which are later resold. Because of this evolution, we too must remain flexible in continually seeking new and innovative ways to address this ever-changing criminal activity.

II. IRS JURISDICTION PERTAINING TO MONEY LAUNDERING ENFORCEMENT.

When we speak of "money laundering enforcement," we actually are making reference to the enforcement of three separate laws: The recordkeeping and currency transaction reporting requirements of the "Bank Secrecy Act" (Title 31); Section 6050I of the Internal Revenue Code (Title 26); and, the money laundering criminal statutes (Title 18). The Bank Secrecy Act (BSA) and IRC Section 6050I provide a means to identify and fight money laundering through currency transaction reporting and financial recordkeeping. The money laundering criminal statutes provide a direct means for the investigation and prosecution of money laundering activity. These three laws prescribe severe criminal and civil penalties and forfeiture provisions.

The IRS has a dual responsibility in its anti-money laundering role: IRS, through its Criminal Investigation Division, has been delegated authority to conduct criminal investigations relative to financial transactions involving money laundering activity. This includes the criminal money laundering offenses of Title 18; and, the currency reporting crimes of the BSA (Title 31) and IRC Section 6050I (Title 26).

IRS Examination is responsible for ensuring compliance with the reporting and recordkeeping provisions of the BSA by all financial institutions under its jurisdiction. These include any financial institution not under the supervision of federal bank

regulatory agencies or the Securities and Exchange Commission, i.e., all nonbank financial institutions and include casinos (except those located in Nevada). Examination also is responsible for ensuring compliance with Section 6050I, which presently applies to all trades or businesses other than those subject to the BSA, including Indian Gaming operations.

Bank Secrecy Act

Under the authority of the Bank Secrecy Act, Congress established certain currency information reporting requirements. These reporting requirements help us identify those persons who attempt to conceal their participation in crimes where substantial amounts of currency are involved. The information reports provide a paper trail of records that must be maintained by financial institutions for a period of five years. Of equal importance to the reporting requirements of the BSA, the BSA also contains requirements that financial institutions maintain records necessary to reconstruct financial transactions in the event of a later criminal or tax case. The Bank Secrecy Act and its reporting requirements provide additional tools to curb money laundering indirectly by authorizing criminal prosecution of those persons who intentionally fail to file, or file false, currency information reports. IRS has been delegated authority to conduct all criminal investigations relative to the BSA with the exception of matter involving cross-border transportation of currency and monetary instruments (U.S. Customs Service Currency

and Monetary Instruments Reports - CMIRs). IRS' regulatory responsibilities include ensuring the timely and accurate filing of the following three Bank Secrecy Act reports:

1. Currency Transaction Report (Form 4789). A "Currency Transaction Report" (CTR) must be filed by a financial institution for each cash deposit, withdrawal, exchange, or other payment or transfer involving currency in excess of \$10,000 on a business day.

2. Currency Transaction Reports by Casino (Form 8362). Any licensed casino operating in the United States with gross annual gaming revenues in excess of \$1 million must file a "Currency Transaction Report by Casino" (CTRC) for each currency transaction in excess of \$10,000 on a day. A currency transaction at a casino includes both incoming and outgoing cash. CTRCs are not currently required to be filed by Indian Gaming operations or casinos located in Nevada.

3. Report of Foreign Bank and Financial Accounts (Treasury Form TDF 90-22.1). Any person subject to U.S. jurisdiction (including a U.S. citizen residing abroad) who has a financial interest in or signature authority over account(s) with a value of more than \$10,000 must file a Report of Foreign Bank and Financial Accounts (FBAR).

IRC Section 6050I

Section 6050I of the Internal Revenue Code provides another key tool for the tax compliance and law enforcement community to use in its efforts to detect unreported or illicit income and prevent the laundering of that income. This section requires the reporting of receipts of cash in excess of \$10,000 by persons engaged in any trade or business (other than financial institutions required to report under the BSA) on a Report of Cash Payments Over \$10,000 Received in a Trade or Business (IRS Form 8300). This section applies to casinos with gross annual gaming revenue of \$1 million or less (the BSA applies to casinos with over \$1 million) and to all Indian gaming operations. Section 6050I is referenced in the Indian Gaming Regulatory Act (hereinafter the Act).

Similar to the BSA, Section 6050I provides for both civil and criminal sanctions for failure to file reports; for filing false reports; and, for structuring, or assisting in structuring financial transactions to evade the reporting requirements. Unlike the BSA, Section 6050I contains provisions for notification to the effected parties and for the inclusion of certain monetary instruments as cash. IRS Examination is responsible for ensuring the reporting requirements are met and IRS Examination conducts routine compliance checks of businesses. IRS Criminal Investigation conducts investigations of alleged criminal violations of Section 6050I which are prosecuted

criminally under the provisions of IRC Section 7203 (willful failure to file) or Section 7206 (false or fraudulent statement).

A database of these required currency reports is maintained by IRS in the Currency and Banking Retrieval System (CBRS) at our Detroit Computing Center. This database is used by IRS for civil and criminal law enforcement and tax administration purposes. Certain information contained in the database is also disseminated to other federal and state agencies for law enforcement and regulatory purposes.

The following example illustrates the distinction between a casino required to file a CTRC as compared to an Indian Tribal casino required to file Forms 8300:

Casino A is a non-Tribal casino subject to the BSA. Casino B is a tribal casino subject to Section 6050I. Gambler Doe walks into Casino A and purchases chips for \$15,000 in cash. At the end of the night Gambler Doe cashes in his chips including winnings and receives \$25,000 in cash. Casino A is required to file a CTRC which provides identification information on Gambler Doe and reports both of the transactions -- cash in upon entry and cash out upon departure. Gambler Doe then enters Casino B and purchases chips in exchange for \$15,000 in cash. Gambler Doe later departs after cashing in chips for \$35,000 in cash. Pursuant to Section 6050I, Casino B is only required to provide

identification information and report only the first half of the transaction -- the incoming cash to purchase chips upon entry. This limited information reporting cuts off the paper trail thereby eliminating further financial analysis of Gambler Doe's currency transactions. In addition, Casino A is required to maintain additional supporting documents concerning Gambler Doe's financial transactions for five years. Casino B is not required to maintain any additional documents.

III. VULNERABILITY OF CASINOS FOR MONEY LAUNDERING ACTIVITY

In May of 1985, the Department of the Treasury amended the BSA regulations (31 C.F.R. Part 103) to designate non-Tribal casinos as financial institutions subject to the BSA currency reporting and recordkeeping requirements. Like other financial institutions, non-Tribal casinos must complete a currency reporting form (CTRC) for all currency transactions in excess of \$10,000, whether as a deposit, withdrawal, exchange, or redemption or purchase of chips, receipts from slot machine payoffs, etc. In addition, like the other financial institutions, non-Tribal casinos must maintain specific financial records for five years, including player rating cards maintained by the casino to monitor its customer's wagering wins and losses. IRS Examination has been delegated the authority to examine non-Tribal casinos (except those located in Nevada) for compliance with the BSA requirements.

Also in 1985, the Department of the Treasury entered into a Memorandum of Agreement with the State of Nevada. Pursuant to the agreement, the State Gaming Control Board assumes regulatory responsibility for casinos located in Nevada. Nevada casinos file reports under state regulatory requirements similar to the CTRCs for cash-in transactions directly with the State Gaming Control Board. Nevada casinos also file currency transaction incidence reports for cash-out transactions directly with the Board. These reports are then forwarded to the IRS for inclusion in the Detroit Computing Center database containing the other CTRCs.

Prior to the BSA application to casinos, money laundering activities occurred involving casinos in a variety of ways including the purchase of chips with large amounts of cash and later redeeming the chips for casino cashier's checks without significant gambling. Casinos also have been utilized to exchange narcotics proceeds in small denomination bills for \$100 bills to ease smuggling cash out of the country. The currency reporting and recordkeeping features of the BSA have enabled the IRS to utilize the CTRCs to successfully identify and prosecute individuals involved in money laundering where casinos were involved. The following are only a few such examples.

- ° An attorney laundered over \$3 million dollars of drug proceeds from his client at the casinos over a period of

several months. The attorney exchanged large amounts of cash for casino cashier's checks without any substantive gambling activity. The attorney eventually pled guilty to failure to file CTRs (since the attorney was acting as a non-bank financial institution), conspiracy to launder money and drug conspiracy. He was sentenced to 15 years in prison.

- ° An individual using false identification, cashed out casino chips for "high rollers" for a 5% fee. The "high rollers", including numerous narcotic traffickers would purchase chips and gamble enough to avoid suspicion and then give the chips to this "five percenter" to redeem for them. The "five percenter" would redeem the chips in \$100 dollar bills and allow the CTRCs to be filed using his false identification. Over a period of 11 months, 5 casinos filed 45 CTRCs totaling over \$1 million, containing false identification information provided by the "five percenter". The "five percenter" was eventually prosecuted and convicted.
- ° An attorney entered into an agreement with an international heroin smuggling organization to launder their drug proceeds for a fee of 3%-5%, depending on the amount handled. The attorney took receipt of millions of dollars of heroin proceeds in \$5, \$10, and \$20 dollar bills. The attorney used "smurfs" to exchange these small bills for \$100 bills

at numerous casinos. The less voluminous \$100 bills were then smuggled to the Bahamas, Canada, and Bermuda. The currency was then shipped from Canada and Bermuda by commercial couriers to Switzerland for deposit into banks. Wire transfers were used to move the money from the Bahamas to the same Swiss banks.

The CTRCs and other BSA required records are also utilized for successful civil and criminal tax enforcement. IRS Examination and Collection divisions utilize this data to identify potential nonfilers as well as to identify unreported taxable income.

Although subject to the BSA since 1985, casinos were not previously required to implement a BSA compliance program within each casino. However, Atlantic City casinos did voluntarily adopt BSA compliance programs as far back as November 1988. Pursuant to the new Treasury Department regulations effective March 1, 1994, each casino will have to develop and implement a BSA compliance program reasonably designed to assure and monitor compliance with the BSA. Each compliance program is required to include components for:

- 1) internal controls;
- 2) testing (auditing) of compliance;
- 3) training of casino personnel in BSA compliance responsibilities;

- 4) appointment of personnel to assure day-to-day compliance;
- 5) identification of required persons;
- 6) identifying reportable or recordable multiple transactions; and,
- 7) use of in-house information and computer systems to enhance compliance.

These BSA compliance programs are similar to those imposed on all federally regulated banks since 1987 which have proven to be successful. Treasury BSA compliance initiatives, such as the imposition of these compliance programs, have contributed to the significant reduction in money laundering activity involving traditional banks. Treasury continues to work with the casino industry to strengthen the industry's commitment to preventing money laundering.

IV. INDIAN GAMING INDUSTRY AND BANK SECRECY ACT APPLICATION

In 1988, Congress enacted the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et.seq., which governs gaming operations conducted on Indian lands. Section 20(d)(1) of the Act (25 U.S.C. 2719(d)(1)) provides that certain provisions of Title 26, including Section 6050I, shall apply to Indian gaming operations. There is a technical defect in the Act which says 6050I pertains to gambling winnings. Of course Section 6050I applies only to incoming cash and not to cash-out as winnings. Nevertheless, it

is our view that Indian Tribal casinos are presently subject to the limited currency reporting requirements under Section 6050I which pertain to cash received and contain no recordkeeping requirements. In comparison, the BSA mandates a comprehensive currency reporting and detailed recordkeeping system with numerous anti-money laundering safeguards.

Based upon IRS's investigative and regulatory experience, we know that loose or inadequate regulation and recordkeeping will lead to enforcement problems. Over the past ten years or more, every action the federal government has taken to eliminate or reduce identified methods of money laundering, has generated a counteract by the creative launderers who continue to expand to new and inventive methods to launder their illicit proceeds. We believe the Indian Gaming industry, while still in its infancy, would substantially benefit from additional regulation and recordkeeping covering currency transactions to implement additional safeguards for deterrence of money laundering.

The Indian Gaming industry is relatively new and the Act has only been in place a short time. Some of the tribes are unsure of their new responsibilities pertaining to the casinos under federal law. In this regard, IRS Examination has initiated an extensive nationwide outreach program aimed at educating the Indian gaming industry of its responsibilities.

IRS Examination is working with the tribes to better understand issues in Indian Country and has developed and implemented a plan to address these issues. Activities of this plan included making presentations and staffing information booths/exhibits at tribal conferences dealing with Indian Gaming such as: United South and Eastern Tribes (USET); National Indian Gaming Association (NIGA); 1st Annual Indian Nations Gaming and Trade Show; National Conference on Indian Gaming; and, National Congress of American Indians (NCAI) mid-year conference. Future planned conference activities involve the Northwest Indian Gaming Tribe (NIGT) and the Midwest Indian Gaming Association (MIGA). The Tribal leaders have been very receptive to this outreach process.

IRS Examination is also chairing an inter-agency task force consisting of representatives from the Department of the Treasury; Department of the Interior (Bureau of Indian Affairs, Indian Gaming Management Office, and the National Indian Gaming Commission); Bureau of Alcohol, Tobacco and Firearms; and all functions of the IRS. IRS Examination has also been active within the IRS organization educating the Service nationwide on Indian Gaming and related issues.

V. RECOMMENDATIONS AND CONCLUSION

Based on IRS and Treasury involvement with the Indian Gaming industry to date, I am providing the following joint IRS/Treasury recommendation for the Subcommittee's consideration.

We recommend a statutory amendment to both the Bank Secrecy Act and the Indian Gaming Regulatory Act to specify that Indian Gaming operations are subject to the Bank Secrecy Act rather than to Section 6050I. The comprehensive nature of the BSA would provide additional safeguards to the tribes, while providing law enforcement the paper trail necessary for effective and efficient financial enforcement.

In addition, the IRS and Treasury plan to work jointly with the Justice Department to coordinate a national Indian Gaming Conference and will continue the ongoing outreach-education initiatives with the Indian Gaming industry.

In conclusion, I would like to emphasize that our goal is to strengthen cooperative relationships among the Federal agencies working with the Indian Gaming industry. I thank the Subcommittee for its interest in our activities relating to money laundering enforcement and the Indian Gaming industry. We would be pleased to respond to any questions you may have.

Mr. RICHARDSON. Thank you.

The chair recognizes the gentleman from Wyoming.

Mr. THOMAS. Just one very quick question, Mr. Urgenson.

When you are asked to investigate or prosecute, where do the complaints come from normally? Do they come from this regulatory commission, or how do you arrive at where there is a problem?

Mr. URGENSON. Complaints often come—they are delivered most often in the field to the local United States Attorney's office or the to the FBI, and perhaps Mr. Moody could elaborate more specifically.

Mr. MOODY. Concerning organized crime investigations, over 90 percent of all of our investigations are based upon our own intelligence base. We don't have that many people come through the front door and tell us about organized crime.

Mr. THOMAS. Well, that is good. I am glad to hear that.

I am just curious. You need some sort of a regulatory group, it would seem to me. That is not your role, is it, in the Justice Department?

Mr. URGENSON. Typically, in a regulated industry, a good portion of the referrals come from the regulatory community. That is an accurate statement, yes.

Mr. THOMAS. Tell me just quickly the comparison between—what is your involvement in private gaming such as in New Jersey that is not tribal? Do you have any particular involvement in that?

Mr. URGENSON. The involvement, I suppose, would be limited to federal crimes, such as organized crime and perhaps money laundering, and Mr. Moody indicates he would like to add to that.

Mr. MOODY. We have memoranda of understanding with both Nevada and New Jersey, groups that address the gaming in those States. Both of them have law enforcement authority, so it makes it very easy to work with them.

Mr. THOMAS. So your involvement with tribal gaming and nontribal gaming is similar?

Mr. MOODY. With tribal gaming, it is different in that we have requests come in and we respond to them, but not all of the agencies that have oversight have law enforcement authority, so we can't quite share the same type of information.

Mr. THOMAS. I see.

Thank you, Mr. Chairman.

Mr. RICHARDSON. The chair recognizes the gentleman from California.

Mr. CALVERT. Thank you, Mr. Chairman.

My question is also for Mr. Palmer.

In California, as you know, we only have Class 2 gaming. However, there are certain reservations that are engaged in Class 3 gaming at the present time. The National Indian Gaming Commission is only empowered to enforce Class 1 and Class 2 gaming, and so the Class 3 gaming in California is not being regulated.

The 700-plus slot machines that are in California at the present time—what types of controls are in place at the present time to find out where that money was coming from and where it is going?

Mr. PALMER. Congressman, I don't know if I can answer that specifically, but right now, as I stated, as far as the civil side of the Internal Revenue Service, Department of the Treasury, that

would fall under the compliance of the Examination Division. I cannot specifically answer. I don't know exactly what we are doing insofar as those specific locations in California. But I will be happy to get back to you and provide you with the record of that.

But as I said in my statement, as long as those activities do not fall under the supervision of the Federal Bank Regulatory or the SEC, they would fall under the purview of the Examination Division as far as civil oversight.

Mr. CALVERT. What mechanisms are currently in place to ensure that the cash flow in an Indian casino is fully and effectively monitored?

Mr. PALMER. Pardon? Could you repeat that?

Mr. CALVERT. What mechanisms? Is this the same? Would it be the same answer? What mechanisms are currently in place to ensure that the cash flow in an Indian casino is fully and effectively monitored?

Mr. PALMER. That would also be within the Examination Division.

Mr. CALVERT. So we would need to talk to someone within the Examination Division to get an answer to those questions.

Mr. PALMER. Yes, sir.

Mr. CALVERT. I understand—and maybe this question would go back to Mr. Moody—that there is no control on the revenue that is coming out of those slot machines, for instance, in California. Is that an accurate statement?

Mr. MOODY. I believe that is an accurate statement, yes, sir.

Mr. CALVERT. I understand that there is also no control on the types of odds on those machines or the quality of the machines. Is that an accurate statement?

Mr. MOODY. I believe that is an accurate statement.

Mr. CALVERT. I also understand that the National Indian Gaming Commission has no right, no jurisdiction, to involve itself in Class 3 gaming in California since Class 3 gaming technically is not legally permissible in California, so nobody is regulating that. Is that an accurate statement?

Mr. MOODY. I would rather you asked that with the Gaming Commission, sir. As far as I know in California, there are some regulatory agencies set up because you also have the card clubs out there. The specificities of what the Gaming Commission does, I would appreciate it if you would refer that to them.

Mr. CALVERT. Do we have any idea then if it is accurate to say that that revenue isn't being—do we know where the money came from in the first place to acquire those slot machines? Do we have any knowledge of that?

Mr. MOODY. No, sir, I don't. I can look into it.

Mr. CALVERT. If I can continue on this, it is common knowledge that Class 3 gaming is being conducted on many California, New Mexico, Washington State Indian reservations without a tribal-State compact, including electronic games of chance, video-poker, slot machines, and video black jack. Is it not a violation of State and Federal law to conduct such gaming without a compact, assuming the States can compact for the games in the first place?

Mr. URGENSON. I think it would be a violation of the law to conduct Class III games without a compact, that is correct, and the

issue for us is whether or not it would be something which warrants law enforcement, criminal law enforcement, involvement.

As I have attempted to indicate in our statement, that is a very complicated question which requires an analysis of the specific facts, and if there is any specific evidence of such conduct which should be addressed in California, I think it should be addressed through the United States Attorney's office there.

Mr. CALVERT. To carry on from what you just said, why is the Federal Government allowing Class 3 gaming to take place in California if, in fact, it is not allowed?

Mr. URGENSON. I am not familiar with the specific factual situation in California, so I can't give you a detailed response. What I have generally tried to address in my statement is that there are instances in which it is alleged that illegal Class III gaming is going on in a particular jurisdiction, and whether or not it is in fact Class III gaming, whether or not the classification is in question, whether there are ongoing negotiations with respect to a compact, whether or not there is litigation in court concerning the fairness with which the States have dealt with the tribes, are all factors that are considered in a specific case as to whether or not we are, as you might suggest, allowing something or acting.

Mr. CALVERT. I will ask Mr. Moody.

Mr. Moody, do you think that 700 slot machines in Southern California would classify as Class 3 gaming?

Mr. MOODY. That depends upon my counsel here on my right. Whenever we have situations like that, quite frankly, we wait until it is cleared up more before we commit manpower to conduct investigations on something like that.

Mr. CALVERT. I had just one more question for you, Mr. Moody. There was an article in U.S. News some time ago when you were asked a question, "Which crime families are involved in Indian gaming?" Do you remember your answer to that question?

Mr. MOODY. No, sir, I don't.

Mr. CALVERT. According to U.S. Business News Report, "I don't know of any that aren't."

Mr. MOODY. No, that is not quite a quote. The question was, "Which crime families would be interested in Indian gaming?" And I believe that I responded that I don't believe I would know that any wouldn't be.

If you go back to my original definition, organized crime addresses—they are after money, and any time they can penetrate a gambling operation that generates large amounts of money, they will, but, as Mr. Urgenson said, we do not see a concerted effort by organized crime to infiltrate Indian gaming. We have had a couple of instances that we have investigated; we have had one that we have prosecuted.

Mr. CALVERT. Thank you, Mr. Chairman.

Mr. RICHARDSON. I recognize the gentleman from Hawaii.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

Mr. Urgenson, on page 4 of your testimony, you say, "Similarly, there has been little evidence of illegal activity committed by criminal elements not associated with major organized crime families." And then in reference to—keeping that in mind, if you would—Mr. Palmer's testimony, which, parenthetically, Mr. Palmer, I want to

say is exceptionally well stated. It has taken a relatively complicated issue that some of us may not be familiar with and stated it in such a way as it makes it crystal clear as to what we are dealing with.

Mr. Palmer's testimony—I don't know if you have had a chance to go over it in detail, Mr. Urgenson—

Mr. URGENSON. No, but I have listened to it.

Mr. ABERCROMBIE. Okay—indicates that a lot of the difficulties with respect to casinos are outside forces or elements, like lawyers trying to launder drug money, for example, trying to utilize a casino. Am I correct that this could be done by any person intent upon that kind of activity in any casino, whether it was Indian gaming or anybody else legitimately pursuing gambling?

Mr. URGENSON. I think that is a fair statement.

Mr. ABERCROMBIE. Is that your contention also, Mr. Palmer?

Mr. PALMER. Yes.

Mr. ABERCROMBIE. That it wouldn't necessarily be zeroing in on Indian gambling?

Mr. PALMER. No, of course not.

Mr. ABERCROMBIE. Then, Mr. Palmer, if I could go to you, the latter part of your testimony on page 15 and 16—would it be correct to summarize that testimony as indicating that you have a good working relationship with various tribal groupings and gambling—gaming interests among tribes with respect to what their obligations are and what they can do to improve their capacity to resist this kind of infiltration, criminal infiltration?

Mr. PALMER. Congressman, I would answer that, we are still in the infancy, but our experience, you know, during this infancy, is, I would say yes, we have had a very good reception from, I think, most, if not all, the tribal leaders, trying to educate them in our outreach process, and, as I said, educate them as to what their requirements are so that they can be in compliance with 6050I, or, if this changed, to the Bank Secrecy Act, to ensure the proper safeguards and checks and balances will be there.

Mr. ABERCROMBIE. Then finally, are the recommendations that you are making in your testimony—and I want to indicate, I have only gone over your testimony this morning, so I may have missed a sentence or two that more specifically addresses my questions. But are the recommendations that you are making with respect to the Bank Secrecy Act and the 6050I regulations—are you making these recommendations with respect to all reporting with respect to gambling transactions, gaming transactions, or more specifically towards gaming and tribal activity?

Mr. PALMER. I will let Mr. Djinis—

Mr. DJINIS. Maybe if I can clarify—I hope I understand the question correctly—I think the recommendation essentially is that the Treasury Department be authorized to place and to issue regulations that would place Indian casinos under the Bank Secrecy Act, under the same types of requirements that are subject now.

That is not to say that every form of Indian gaming, whether it is a slot machine or other kinds of gaming, would be subject to the Bank Secrecy Act but, rather, the same kinds of standards that are employed now for nontribal gaming.

Right now, the Treasury Department has regulations which essentially kick in at a \$1 million gross earnings level per year, and presumptively the same standards would apply for tribal gaming.

Mr. ABERCROMBIE. So you see the principal danger here over and above the questions of whether it is a good idea to have gaming or not or whether there is an adequate compact negotiated, and I am taking into consideration Mr. Urgenson's multiple examples of the difficulties of trying to decide whether to prosecute something or whether to move forward on any legal basis, civil or otherwise, keeping that in mind. Your intentions here are to deal principally with laundering activities and other activities that would be criminal in nature over an above the question of the operation of the casinos themselves, right—the gaming operations themselves?

Mr. PALMER. Yes, that is correct, Congressman.

Mr. ABERCROMBIE. Now, are there any exemptions presently existing to the kind of reporting processes that you are recommending here?

Mr. PALMER. No, other than the fact right now the Indian casinos are under 6050I versus the BSA, the Bank Secrecy Act, and an example I gave, right now under 6050I, the filing of the Form 8300 really only gives us the first half or the first third of the transaction—that is, the money the player brings into the casino—whereas the amendment into the Bank Secrecy Act will show all the exchanges of money which happen, not only the money that is brought into the casino, the exchange for chips, the winnings, winnings from the slots, it gives the whole financial picture so there is an adequate audit trail then for financial or law enforcement purposes.

Mr. ABERCROMBIE. Would it be fair to say that if your recommendations were incorporated into the existing law and/or regulations that come from the existing law, that this would go a long way toward ensuring both the tribes and the general public that the operations were being conducted on a basis that were as devoid as possible of infiltration of criminal activity?

Mr. PALMER. I believe it would be a major step in the right direction, yes.

Mr. ABERCROMBIE. Thank you very much.

Mr. RICHARDSON. The chair recognizes the chairman of the committee.

Mr. MILLER. Thank you.

Following up on Mr. Abercrombie's point, is there anything in the law that would prohibit the Secretary to extend these provisions of the Bank Secrecy Act to the Indian gaming?

Mr. DJINIS. Well, generally the way that the currency reporting statutes—the Federal currency reporting statutes—work is that either you are a financial institution, which is defined under our regulations, or you are a trade or business.

Right now, our regulations do not define tribal casinos as a casino. Therefore, it is not a financial institution and not subject to the Bank Secrecy Act. Therefore, it is a trade or business, and that is consistent with the Indian Gaming Regulatory Act and to the admonition that 6050I reporting should occur.

So it is our view that unless the statute is changed, tribal casinos are not subject to the Bank Secrecy Act and we cannot issue a regulation to that effect.

Mr. MILLER. What is the arrangement with the State of Nevada in the Bank Secrecy Act?

Mr. DJINIS. The State of Nevada, pursuant to regulations in the Bank Secrecy Act and pursuant to a memorandum of understanding between Treasury and the State executed in 1985, has adopted its own parallel system of reporting, if you will, where it is substantially similar to the Bank Secrecy Act.

Those reports are submitted to the Nevada regulators, which in turn are submitted to the Internal Revenue Service, but the reporting itself goes from the casino to the regulator and then ultimately to the Internal Revenue Service.

Mr. MILLER. Does the IRS reserve to itself the right to audit that? Has the IRS authority under law to audit those reports?

Mr. DJINIS. Well, it is interesting you should ask that question. Traditionally, the examination component has been conducted by the State, but the State—we had meetings with the State just three weeks ago, I believe, and we are going to be doing a joint compliance examination.

So there is nothing that prohibits compliance examinations being conducted by the Internal Revenue Service, and we will see how this one works out.

Mr. MILLER. So what is the current arrangement prior to this new process? They do this auditing themselves, and they turn that in to the IRS. For what use by the IRS?

Mr. DJINIS. Let me just see if I can clarify.

Mr. MILLER. Thank you.

Mr. DJINIS. The auditing that I am referring to—and I hope it is the same question that you are referring to—is the auditing or the examination by the Nevada regulators, by the Nevada Gaming Control Board, over the casino's compliance with Nevada's reporting system and other provisions.

Mr. MILLER. The purpose of which is the same as, in theory, the same as—

Mr. DJINIS. The purpose is identical in theory to the examination component that the Internal Revenue Service performs when examining casinos' compliance in Atlantic City, for example, with the Bank Secrecy Act.

Mr. MILLER. But when you went through your examples of Casino A and Casino B, the purpose of the Bank Secrecy Act in the Nevada regulatory scheme is for the purposes of watching the flow of the money, for the purpose of laundering. Is that correct?

Mr. DJINIS. Well, I think it is a broader purpose. Number one, the purpose—there are three recognized components of the Bank Secrecy Act: Its use in criminal investigations and proceedings, including investigations concerning financial crime; its use in identifying tax enforcement essentially, to be utilized for tax enforcement purposes; and the third, as you have mentioned, consistent with the Bank Secrecy Act, is for determining regulatory compliance.

So clearly, money laundering is a very important component, but there are three vital interests that are in effect in the Bank Secrecy Act.

Mr. MILLER. But those records are—basically, Nevada has set up its own system of compliance and then has its own system of auditing whether or not compliance is taking place, and that is the end of the process. They turn the data over to the IRS, but the IRS, under the current system today, has no ability or does not go in and audit whether or not the compliance is achieving the goals for the purpose for which it was set up an/or whether it is accurately done. That is not done today?

Mr. DJINIS. Well, I cannot—obviously, I am not with the Nevada Gaming Control Board, so I can't speak to the efficacy of their examination process.

Mr. MILLER. I understand that.

Mr. DJINIS. What I can say is that there is a process in the State, and we will find out there through this joint examination. At least there will be an inquiry into the utility of the program there.

The Gaming Control Board in the Nevada has not sat idly by; they have enforced violations of their own compliance program over the years.

Mr. MILLER. But in terms of the injection of what is this new arrangement that you are laying out, you are now injecting essentially Federal oversight, because you will go through a joint auditing process to determine whether or not the purposes of the Bank Secrecy Act are in fact being complied with by this system of State regulation that is put in, in lieu of the Bank Secrecy Act.

Mr. DJINIS. I think that is correct.

Mr. MILLER. To date, we don't know that, as a matter of ongoing oversight. We may know it in a specific case where one system broke down or you didn't catch one transaction and somebody might have caught it under a different system, but that is not a matter of ongoing oversight.

Mr. DJINIS. That is correct.

Mr. MILLER. Why are you going to this new regime?

Mr. DJINIS. There are a number of different reasons, and I think the best way to describe it is that the thinking has evolved, the thinking in terms of anti-money-laundering compliance, the thinking in terms of our experience with examining casinos and the Internal Revenue Service's experience with examining casinos in other properties such as New Jersey and in Puerto Rico.

We have a certain degree of expertise to offer, and I think it is also true that Nevada, which has been dealing with these subjects, has their own degree of expertise to offer. We see gaming extending to numerous other States, and it is time for us now to start working together.

Although there is a parallel system in place in Nevada, that is not to suggest that either we can't learn from the systems that have been employed in Nevada or that I believe the Nevada Gaming Control Board can learn from some of the techniques, the auditing programs, the computer software that we have developed to ensure compliance with the BSA as well. It is time for us to start working together.

Mr. MILLER. What is the rate of violation today within the casino industry in the Bank Secrecy Act?

Mr. DJINIS. The rate of violation?

Mr. MILLER. Do you get five a year? Ten a year? How many transactions? Is this a lot of transactions that are monitored? There are obviously a lot of transactions, I assume, that are monitored.

Mr. DJINIS. All of the currency reports are fed into a database, a Treasury database, and I don't have the exact figures with me right now, but I believe we are looking at something in the nature of approximately 60,000 such transactions, all in excess of \$10,000 in currency that are filed annually.

Mr. MILLER. And the Justice Department—the compliance, where are you on that? Is this all done in compliance, or are there people out of compliance? Do you have prosecutions open?

Mr. URGENSON. I am not aware of specific instances, or statistics, I should say, with respect to casino-based prosecutions. I know that evidence of money laundering in casinos frequently comes up in connection with white-collar and other kinds of prosecutions. So it is a very useful database to have, and there is a lot of money laundered through casinos. But I couldn't give you a specific statistic as I am sitting here.

Mr. MILLER. I guess what I am trying to determine is, given the Bank Secrecy Act and the regulatory schemes that we have set up, this apparently—what you are saying is that it is apparently a sort of typical endeavor to try and launder money. Whether or not you are successful or not is different, but this is looked upon as an industry in which you can certainly—it is worth making the attempt, or do people attempt it on a regular basis?

Mr. URGENSON. I think that is a fair statement, yes.

Mr. MILLER. It is a method.

Mr. MOODY. By an individual generally. If you have an organized crime group take over the casino, they are going to launder it anyway and not comply with that in the first place. But then the law itself enables us to later on reconstruct what happened. The majority of money laundering in casinos is a method by an individual to try to launder money through the casino.

Mr. MILLER. And that is picked up how?

Mr. MOODY. Various ways: Through the computer database maintained by Treasury, and/or later on we may come up with information of a certain individual being involved in drug trafficking or some other activity, where we go back and trace his activities.

Mr. MILLER. So it is not an uncommon attempt.

Mr. MOODY. No, it is not uncommon.

Mr. MILLER. How common are the prosecutions for it?

Mr. MOODY. It is getting so in almost all prosecutions the FBI has on organized crime and white collar crime that money laundering is involved in it. So money laundering of some sort is very active, because people are always trying to generate the illegal monies into legal monies. Now how much is coming out of the casinos I don't know, sir.

Mr. MILLER. How common are prosecutions against casinos?

Mr. MOODY. Not very common at all, sir. It has been a number of years since we have had any against a casino. The casinos themselves don't want the money laundering because they are worried about the taint that would go along with it.

Mr. MILLER. It affects their license obviously, I assume.

Mr. MOODY. Yes, sir.

Mr. DJINIS. Mr. Chairman, if I could clarify again, I think there was testimony that was alluded to earlier about what the Bank Secrecy Act involves, and frankly, although the true enforcement of the Bank Secrecy Act is going to be by compliance by casinos, that is not to suggest that the currency reports that are required are there to somehow implicate a casino.

In fact, the majority of our interest is on the patrons' activity, not on the activity of a particular financial institution, and a lot of the research, the proactive targeting, or whatever, that is done is focused upon individuals or people who are identified with organizations who happen to be conducting transactions through a casino.

The second thing I would like to clarify is that it is not so much that casinos represent the most prevalent form of money laundering or tax evasion or whatever. Casinos, like other kinds of bank and nonbank financial institutions under the Bank Secrecy Act, are subject to currency reporting and other kinds of record-keeping requirements in order to, if nothing else, have a chilling effect to properly identify individuals engaged in those transactions and to make sure that there is an audit trail of those transactions when they involve currency.

Mr. MILLER. That is not to suggest that there hasn't been institutional involvement in intentional attempts to go around the Bank Secrecy Act.

Mr. DJINIS. I am not suggesting that at all. What I am suggesting is that there is more than a focus against the financial institution, whether it is a casino or a money transmitter or a savings and loan. It is also on the transactions.

Mr. MILLER. I understand, but the Act is set up recognizing that there are two parties to the transaction, right?

Mr. DJINIS. That is correct.

Mr. MILLER. Okay. Thank you.

Mr. RICHARDSON. Does the gentleman from New Jersey wish to be recognized for questions?

Mr. TORRICELLI. If I could, Mr. Chairman, for a few moments.

Mr. Moody, your title is that you are with the organized crime and drug operations of the FBI?

Mr. MOODY. Yes, sir.

Mr. TORRICELLI. And who is it that heads your task force on investigating Indian gaming?

Mr. MOODY. If it has anything to do with organized crime, I am responsible.

Mr. TORRICELLI. No. I mean your dedicated task force to Indian gaming. Who runs that operation on a day-to-day basis?

Mr. MOODY. We don't have a dedicated—

Mr. TORRICELLI. You don't have a task force?

Mr. MOODY. No, sir.

Mr. TORRICELLI. We have in New Jersey 985 people who monitor 18 casinos, virtually an inspector per table. How many agents do you have dedicated to dealing with the problems of corruption on Indian reservations on a full-time basis, as we do—the number of people who are dedicated to this purpose?

Mr. MOODY. Concerning Indian reservations themselves, we have other responsibilities on the Indian reservations.

Mr. TORRICELLI. I understand that. But dealing with the problems of gaming we are focused on.

Mr. MOODY. Okay. Let me take a step back. Concerning the Indian reservations, we have about 44 agents assigned to the Indian reservations to conduct all sorts of investigations.

Mr. TORRICELLI. On all purposes, you have 44.

Mr. MOODY. Yes, sir, organized crime investigators.

Mr. TORRICELLI. How many Indian gaming establishments are there in the country?

Mr. MOODY. They are growing rapidly every day.

Mr. TORRICELLI. Well, isn't it fair to say there are 124?

Mr. MOODY. Right.

Mr. TORRICELLI. Now I am told that while we in New Jersey have an inspector on each table each day in every casino, you do not have enough agents, in fact, involved in dealing with corruption on Indian reservations that they could be visited on an annual basis. Would that be a fair statement?

Mr. MOODY. We are not visiting casinos for regulatory functions on the Indian reservations.

Mr. TORRICELLI. I see. So during the course of a year, a year could pass and, in fact, these casinos could never be visited by a Federal official under your jurisdiction. That would be a fair commentary?

Mr. MOODY. That is very possible.

Mr. MILLER. Would the gentleman yield?

Mr. TORRICELLI. I would be happy to yield to the chairman.

Could I go through a few questions and then—

Mr. MILLER. Just on that point, your jurisdiction is organized crime, not casinos?

Mr. MOODY. That is correct. My jurisdiction is organized crime. Now in organized crime I have 903 agents.

Mr. MILLER. They work on the organized crime end of the spectrum.

Mr. MOODY. That is correct.

Mr. TORRICELLI. Well, let's take them that way. How many of those organized crime people are dedicated to dealing with organized crime involvement in Indian gaming? I will take the chairman's distinction; it is a fair point. How many of those are dedicated to dealing with organized crime in Indian gaming?

Mr. MOODY. I do not dedicate any of them to organized crime in casinos, but I do dedicate them—

Mr. TORRICELLI. So the answer is essentially the same, none.

Mr. MOODY. But I do dedicate them to organized criminal groups.

Mr. MILLER. Let the gentleman finish.

Mr. TORRICELLI. Yes, I would be glad to have him finish. I would like, though, for this period of time, to go through this relatively quickly, if I could, Mr. Chairman, because I have a lot of questions.

Mr. MOODY. I dedicate the agents to organized criminal groups involved in the totality of their violations or their activities. That is what I am interested in.

Mr. TORRICELLI. Well, let's then, to sum up then, before I move on—the number who are dedicated to organized crime in Indian gaming is essentially none, and you were not contradicting my point that during the course of the year, even those who deal tan-

gentially with the issue may not visit Indian gaming at all while, in fact, those other casinos established under laws in New Jersey and Nevada have hundreds of agents.

If you would like to quarrel with that, I would be glad to have you do so.

Mr. MOODY. No, sir, that is not quite accurate. I don't necessarily visit any Nevada or New Jersey gaming casino unless I am looking at organized crime involvement.

Mr. TORRICELLI. No, of course, but we have taken care of that problem by having 985 people who do.

Mr. MOODY. Those are State regulators, yes, sir.

Mr. TORRICELLI. Let me move on, if I could.

Mr. MILLER. Would the gentleman yield?

Mr. TORRICELLI. Yes.

Mr. MILLER. Then you have to compare that to, in many reservations and the States all have their people who visit the reservations and ongoing surveillance from local law enforcement, from tribal law enforcement—okay, so there is an overlay.

Mr. TORRICELLI. Yes, that is a fair point.

How many of the Indian gaming authorities of the Federal Government—how many inspectors do they have?

Mr. MOODY. I don't know, sir.

Mr. TORRICELLI. Twenty seven. So the combined resources of the FBI and the Indian gaming authorities are 27.

Let me move on, if I could.

The inspector general's report concluded, on page 2, "Indian tribes may be losing significant income because of fraud or abuse in an industry that is generating revenues of \$2 billion a year on Indian lands." Indeed, the report concludes that generally the fraud could be in the millions of dollars.

Since this report was issued, has there been a new dedication of resources or an investigation to find the veracity of the inspector general's report?

Mr. MOODY. Not in organized crime because I don't believe that it states anything in there about organized crime involvement in that.

Mr. TORRICELLI. No, but I am dealing generally with the question of fraud or abuse. This report obviously raises some serious questions. I am concerned about the FBI's reaction to it and in seeing whether or not there is veracity in these claims.

Mr. MOODY. I don't know, sir, and it depends also on the individual reservation whether we are even investigating there.

Mr. TORRICELLI. Mr. Chairman, I will be very brief, but, Mr. Urgenson, tell me, of the 124 Indian casinos operating, how many of them have arrangements with the IRS similar to New Jersey or Nevada, or indeed the Indian casino in Connecticut, with regular operations to protect against laundering?

Mr. URGENSON. I don't know the answer to that question, Congressman, as to whether any of them have.

Mr. TORRICELLI. You are not aware that any of them have similar arrangements?

Mr. URGENSON. One way or the other, I am just not aware of it.

Mr. TORRICELLI. I see.

What is important to me is that your testimony here, particularly you, Mr. Moody, has enormous credibility with this committee and with this Congress and in many ways will influence the judgment of individual Members whether to proceed, and while I think we should all be appreciative of your presence today and the expertise that you add, that level of expertise is extremely important for us to make judgments.

It is obviously my own conclusion that we can neither affirmatively discount or account for the level of organized crime involvement, because I don't believe indeed anybody actually knows.

For example, in the Seminole case in Florida, the Department of the Interior concluded that it could not proceed with an investigation for lack of resources. Was that indeed followed by an FBI investigation in the case of the Seminoles?

Mr. MOODY. It is my understanding that allegations concerning the Seminole case in Florida involved an individual by the name of Anthony Accetturo which, for your information, he was just convicted of racketeering charges in New Jersey, not necessarily having to do with the Indian casino in Florida.

Mr. TORRICELLI. Yes.

Mr. MOODY. So we try to take these individuals out when we—

Mr. TORRICELLI. Mr. Moody, lest you think that somehow you have raised a point here that would deflect my interest, it is your point that is exactly my interest.

I know where these people are coming from, because I live with them every day in my State. I know who they are, and I know what is taking place here. That is why I am asking the question.

Now, before I conclude, I simply want for the purpose of the members of the committee to understand the level of FBI involvement in this investigation to date. Could you therefore tell me, as a witness coming before this committee, what you know about the sourcing of buying slot machines with the Mohawk Tribe in New York?

Mr. MOODY. I don't know anything about the sourcing of slot machines for the Mohawk.

Mr. TORRICELLI. I see. They were purchased by associates of John Gotti.

Could you tell me anything about Robert Sabes?

Mr. MOODY. No, sir, I don't know anything—

Mr. TORRICELLI. Mr. Sabes is involved with the Lucchese crime family by a contractual basis in that he rents real estate to them and is involved with Indian tribes in Minnesota.

Finally, could you tell me about the FBI investigation concerning Mr. Alvarez?

Mr. MOODY. I can't tell you about any investigation.

Mr. TORRICELLI. Well, Mr. Moody, I could. Mr. Alvarez was murdered after he refused to engage in discussions on Indian gaming contracts. He and two associates were found dead, according to a report of the attorney general's office of the State of California.

Mr. Moody, with all due respect, I appreciate the fact that you are here to help with this questioning, but indeed isn't it fair that if this were a court of law and you were to have to be sworn in as an expert witness on Indian gaming and the problems of corrup-

tion, it is doubtful that in fact you could be an expert witness on that issue?

Mr. MOODY. On Indian gaming, that may be true, but on organized crime I have been qualified in several courts as being an expert witness.

Mr. TORRICELLI. Of course, but we are not talking about the New York waterfront, we are talking about Indian gaming.

I have no further questions, Mr. Chairman. Thank you for the time.

Mr. RICHARDSON. I have to ask Mr. Moody just one question, because this has been, as the gentleman said, a very important panel.

You mentioned that the FBI has fewer than five open investigations of organized crime in Indian gaming.

Mr. MOODY. Yes, sir, I have in the past.

Mr. RICHARDSON. Now how does that compare with any investigations you are undertaking in New Jersey or Nevada?

Mr. MOODY. We have more investigations in New Jersey and Nevada, but as far as the casinos go, we have less than five investigations in New Jersey or Nevada involving the casinos.

Mr. RICHARDSON. Now, the Rincon reservation case——

Mr. MOODY. Yes, sir.

Mr. RICHARDSON. Who tipped you off on that?

Mr. MOODY. Our intelligence base, sir.

Mr. RICHARDSON. Well, I am on the Intelligence Committee; you can tell me.

[Laughter.]

Mr. RICHARDSON. All right. Let me thank——

Mr. MILLER. Mr. Chairman, if I might have a round of questions.

Mr. RICHARDSON. Yes.

Mr. MILLER. Mr. Moody, I don't quite get what Mr. Torricelli's point was, but let me go back and reconstruct what took place here. Your testimony is—and correct me if I am wrong—is essentially that your unit has not found any significant problem with respect to organized crime within Indian gaming. Is that correct?

Mr. MOODY. That is correct.

Mr. MILLER. Your testimony is not that there have not been incidents where organized crime has tried to take advantage one way or another within the Indian gaming industry, that there are episodes, the Rincon Tribe, others where that has happened. In one case, that has been a successful prosecution.

Mr. MOODY. That is correct.

Mr. MILLER. Your expertise here is as to the activities of organized crime, correct?

Mr. MOODY. That is correct.

Mr. MILLER. And looking at it from the question of whether or not—what is the extent of the involvement of organized crime, again, it is that there is no significant activity here to date that you can document.

Mr. MOODY. That is correct.

Mr. MILLER. By the same token, the issue of whether or not you dedicate people to New Jersey casinos or Nevada casinos or Indian casinos has no bearing on that issue either, does it?

Mr. MOODY. No, sir. I dedicate my manpower to the La Cosa Nostra family.

Mr. MILLER. I would think that in America when most people think about organized crimes and the problems that confront them as taxpayers, Indian casinos would be fairly far down on the list when they consider all of the problems that we have with illicit drug involvement, with what happened in some of our banks, with what happens with illicit gun trafficking. I would assume you are being prudent when you are not dedicating people to hang out in Indian casinos to see if they can spot organized crime.

Mr. MOODY. I hope I am being prudent. Our target is the La Cosa Nostra family. We are trying to destroy them, and that is what we are emphasizing, and we will destroy them on any identified illegal activity that we can come up with.

Mr. MILLER. So if your involvement in this comes through the organized crime networks, you follow those leads wherever they take you. They could take you to the race tracks, to a savings and loan, to a bank, to a politician's office; they could take you anywhere, right?

Mr. MOODY. That is correct, sir.

Mr. MILLER. You don't try to come around and anticipate where they might show up on any given evening.

Mr. MOODY. No, sir.

Mr. MILLER. I think it is very important, Mr. Chairman, that we delineate that issue.

Now with regard to the second issue, whether or not there has been illegal activity within the Indian gaming industry, whether employees have taken money out the back door, whether dealers have skimmed, all of the things that we know go on in this industry across the board, people are dismissed on a regular basis within this industry for some impropriety with respect to the security of the cash flow. That does not trigger on any level FBI involvement, does it?

Mr. MOODY. It can possibly trigger our involvement if we have responsibility for the Indian reservation, and it may be referred to us.

Mr. MILLER. But in the general gaming industry that is not the case. It may trigger the Nevada Gaming Commission, the Indian Gaming Commission, it may trigger the IRS if this person shows up that he is signing for all these \$10,000 transactions; it may trigger a lot of things; but that doesn't necessarily rise to the occurrence of an—I think it is very important here that we understand that, that we not try to give the illusion that something exists here that factually does not exist to date as we know it, given the surveillance and the involvement of these agencies that are responsible for it. That does not give Indian gaming or non-Indian gaming a clean slate with the involvement of their—with State regulatory agencies, with Federal agencies, with their employees, their management, and others who are involved in this process. But that is true of the hardware industry too, and, I suspect, the grocery store industry, that people are running away with other people's monies all the time, and we ought to just keep that in perspective, Mr. Chairman.

I was very concerned that the suggestion was, somehow, because an FBI agent wasn't on the spot, that that suggested either lack

of enforcement or the misapplication of Federal manpowers and resources. Thank you.

Mr. TORRICELLI. Mr. Chairman, would you yield for a moment?

Mr. MILLER. Sure.

Mr. TORRICELLI. Perhaps we can conclude this round, having disagreed on the past, we could agree on the future.

You were quoted in the Boston Globe last week as saying, Mr. Moody—and I quote—"I don't believe that organized crime is just sitting back and saying, 'Why would we want to get involved in that?' I say they are going to be looking at every one of them and trying to identify certain areas to get into."

Therefore, Mr. Moody, you and I may dispute what has happened to date, but indeed if you will affirm that that is your quote, I take it we can agree that in the future organized crime is going to be looking at Indian gaming as it is now constituted, it is something on which we need to be vigilant and to address changes in the law, if indeed that is possible. Would that be a fair conclusion for this round of testimony?

Mr. MOODY. I don't know about that quote; I never saw it. But this is my opinion of organized crime, sir—

Mr. TORRICELLI. Mr. Moody—

Mr. MOODY. If you will give me one second—

Mr. TORRICELLI. My concern would be, this is about the third time we have raised a newspaper quote with you here today. I live in politics, so I understand what it is like to be misquoted, but you have a unique propensity. Did you not make this quote in the Boston Globe last week?

Mr. MOODY. I don't even recall talking to the Boston Globe, sir; I really don't.

Here's the way I look at organized crime. It is made up of a lot of individual criminal entrepreneurs, and any time you have any industry or any way that can generate money, especially one with a lot of cash, you are always going to have certain individuals involved in that, that want to try to penetrate that activity.

So if you have any type of gaming operation, there is always the potential that you will have somebody in organized crime trying to penetrate that, and that is why my recommendation here is that strong regulatory agencies be set up to prevent that.

Mr. TORRICELLI. Very good, Mr. Moody. Whether or not you affirm the quote, you certainly affirm the thought, and for that I am appreciative. Thank you.

Mr. RICHARDSON. I want to thank this panel. You have been very patient, and you have provided a very interesting component for this hearing.

We now would move on to our third panel: Our colleague from New Jersey, the Honorable Robert Torricelli, U.S. Representative, New Jersey Ninth District, and Mr. Donald Trump, chairman and president, Trump Organization, from New York City.

I want to welcome our witnesses and would ask them to step forward to the panel, and I would defer to our colleague from New Jersey to introduce his colleague or to provide us with the first round of testimony. Again, we have a very key issue here in this committee, and we heard Senator Inouye talk about an October 19 decision on what the other body is doing.

I want to thank our colleague from New Jersey, and I would ask him to please proceed.

STATEMENT OF HON. ROBERT G. TORRICELLI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. TORRICELLI. Thank you, Mr. Chairman, very much, and thank you for this opportunity.

I am before you today to share both my thoughts with you on the question of Indian gaming, an industry important to my State, the ramifications of its problems, I think affecting all of us, and out of concern that you would not recognize your next witness, I wanted to introduce him to you this morning.

Mr. Chairman, for almost a century my State and many areas of this country have been plagued with the scourge of organized crime. It has been a parasite on businesses that have legitimately attempted to operate in my State and, indeed, been an embarrassment to many parts of our community.

After extraordinary efforts by the Federal Government and significant changes in the law in recent years, by any accounts, we are close to breaking the back of organized crime. But an extraordinary irony is arising. Just as we find family after family that are being broken, it is my own judgment that a drowning Mafia is being tossed a lifeline for its own survival. Unregulated casino gaming without provisions for the protection of the transfer of cash, without provisions to do background checks or investigations, has opened an enormous door for the survival of organized crime as we know it.

Indeed, a multi-billion-dollar operation is already operating in this country. Without question, some of the 175 operations in 26 States are already compromised. It can be no surprise that 22 serious allegations have already been made concerning some of these operations.

Mr. Chairman, I think just for a moment it bears citing what some of these allegations are. I will not attempt to name most of them, but I will mention only a few.

The State of California, Barona Rancheria, Stewart Siegel admitted to being a front for organized crime. He had for a while headed the tribe's management firm.

Cabazon Indian Tribe in California. After tribal Vice President Fred Alvarez began complaining of money skimming, he mysteriously was found dead with two friends.

The Rincon Indian Reservation in San Diego County, Sam "Wings" Carlisi and eight other organized crime figures were indicted in a 15-count indictment comprised of felony charges.

Jackson Rancheria: Anthony "Tumac" Accetturo managed a bingo hall in 1985. He recently was convicted as being head of the Lucchese organized crime family.

The State of Minnesota, the White Earth Tribe, Angelo Medure, an alleged associate of the Pittsburgh organized crime figure, Carmen Ricci, an alleged associate of New Jersey's Scarfo, who indeed had attempted to penetrate New Jersey casino gaming in previous years, has raised an investigation by law enforcement personnel.

In the State of New York, as I cited earlier, in the Mohawk Tribe, an associate of John Gotti was arrested for shipping slot machines to the reservations.

And in my own State of New Jersey, the Ramapough Indians employed one Robert Frank as a consultant. He was later convicted, along with Mr. Accetturo, of racketeering and extortion, of being the head of New Jersey's Lucchese crime family.

Not anecdotes, Mr. Chairman, 22 States, 22 instances, where the threat of organized crime is not a theory, it is not somebody's conspiracy, it is a reality of everyday life, and the question is, what is this committee and what is Congress going to do to deal with the problem?

Forty-nine governors and, indeed, the President of the United States have all cited the current state of affairs cannot be allowed to continue. This committee heard previously from Senator Inouye claiming that negotiations with the governors would solve this problem, but indeed a letter from the Governors Association that Senator Inouye has received claims that those negotiations are not adequate and they are not coming to a resolution and that indeed this Congress must act.

Mr. Chairman, I know the good intentions of this Congress and of this committee in trying to open opportunity for Indian Americans. I do not come before you claiming that there are not problems with Indian Americans. They are profound, and they are an embarrassment to each and every American. We have violated our word, we have not respected the most basic human rights of our Native Americans.

But this is no answer. We are doing no favor to Indian American culture by destroying it by opening up Indian gaming as a protected industry for them. We are destroying their culture, we are destroying their traditional leadership, by inviting corruption in an industry without oversight, without basic controls for money laundering.

Finally, Mr. Chairman, I make no apologies for the fact that, aside from this being a concern for a variety of reasons with organized crime, with a concern for the destruction of Indian culture, it is also an enormous concern for my State of New Jersey.

Six percent of the revenues of my State come from legitimate casino gaming. If indeed Americans, every American, comes to believe that casino gaming in this country is compromised, that it is not legitimate, that they cannot be treated fairly at their tables, then indeed not only will Indian gaming suffer but Las Vegas and Atlantic City, where we have made real and substantial efforts to ensure the integrity of the industry, will also be compromised, and we will lose the revenue, and so will the senior citizens, and the institutions that are established for the disadvantaged that profit from those taxes also suffer.

Mr. Chairman, I would at this point like to yield and introduce Mr. Donald Trump. The Trump Organization is by far the largest investor in Atlantic City. It has invested not simply millions but indeed in excess of a billion dollars in the operations of legitimate casino gaming in Atlantic City.

This much I can say about Mr. Trump will distinguish him from what you have heard today about Indian gaming. The State of New

Jersey knows Mr. Trump. He chose to do business in Atlantic City. So we know who invests in his companies. We know who he buys his supplies from. We know who works for him. We know who walks in his casinos with cash, where it came from, and where it went. We know a lot about Mr. Trump, and we know a lot about everybody who attempted to come to Atlantic City.

From established organizations like the Hilton organization through many lesser applicants, we rejected people because they didn't meet our standards, and today we spend not simply millions but many millions of dollars not simply with a few inspectors but hundreds of inspectors, to make sure that the same people who I cited as being involved in organized crime in Indian casinos throughout this country will not be in the State of New Jersey. We chased them out, we kept them out, they are out, and because they are out of the State of New Jersey, they are seeking to take advantage of Native Americans who want opportunity but who will be victimized if we fail to protect them.

I do not want to see discrimination. I want no part of denying opportunities to Native Americans. I come today not because but in spite of those who would restrict their opportunities. It is simply a question of assuring that they are safeguarded, like Atlantic City and Las Vegas are safeguarded and indeed that we all are protected against these elements which we are so close to defeating in our country.

With that, Mr. Chairman, if I could, I would like to yield to Mr. Trump.

[Prepared statement of Mr. Torricelli follows:]

STATEMENT OF REP. ROBERT G. TORRICELLI
BEFORE THE HOUSE SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

OCTOBER 5, 1993

I'd like to thank Chairman Richardson for holding today's hearing and offering me the opportunity to testify.

It would be difficult to overstate the importance of today's hearing not only to my home state of New Jersey, but to the country as a whole. For what we have seen over the past five years -- the proliferation of over 175 commercial Native American gaming establishments in 26 states -- has enormous consequences to our social fabric and our law enforcement capabilities.

What we have seen is the spread of de-regulated casino gaming across the country without the citizens of the United States or their elected representatives ever having made the decision to let that happen. As a representative from one state that does allow high stakes casinos, I believe that is the wrong way to proceed.

Gambling in New Jersey was a very difficult public policy decision. It was made only after careful consideration by the people of New Jersey and their elected officials, and it was accompanied by an amendment to the state's Constitution. I believe that decisions to allow casino gaming on Native American lands should undergo the same public scrutiny and the same input from affected communities.

But the purpose of today's hearing is not to discuss whether we should allow the further proliferation of these casinos. The purpose, instead, is to discuss whether these casinos are properly regulated and whether they pose an irresistible invitation to organized crime.

I believe that if one compares the regulation of casino gaming in New Jersey with the regulation of tribal casinos, there is great cause for concern.

Atlantic City's casinos operate under the most comprehensive system of gaming regulations in the world. In developing its regulations, New Jersey officials sought considerable input from their counterparts in Nevada. We took what worked best in Las Vegas and adopted it for our own, and we went above and beyond Las Vegas' regulations where we thought it was necessary.

New Jersey spends \$60 million each year to fund two government agencies that enforce its regulations. Virtually all aspects of casino operations, from who can be involved to the specific dimensions of a chip, are strictly enforced.

In Atlantic City, background checks are conducted on any individual who handles any money or who is involved directly in the games. These checks are so thorough that the owners of the Hilton Hotel chain were originally turned down for a license because the company had some dealings that were not sufficiently explained to state regulators.

New Jersey's casinos are also subject to the Bank Secrecy Act, which requires meticulous reporting and recordkeeping of cash transactions. In fact, every single dollar is accounted for and reported back to the state.

Tribal casinos, on the other hand, are regulated by the tribes themselves. The Federal Government is severely limited in the amount of oversight it can provide, and the states can only monitor the games subject to conditions laid out by a tribal-state compact.

The federal Indian Gaming Commission does have oversight responsibilities for Class II gaming, such as bingo. But the Commission has a \$3 million budget and a staff of 24 to oversee more than 100 class II Indian gaming operations across the country. By contrast, New Jersey gaming regulators, who have responsibility for 12 gaming operations in one city, have a \$60 million budget and 985 employees.

Operators of tribal casinos are hired by the tribes themselves, and often undergo no background investigations. To illustrate how inadequate background checks can be, an individual who headed the management firm for gaming operations on the Barona Rancheria reservation in San Diego was twice turned down for a license by the Nevada Gaming Control Board.

Furthermore, these casinos are not subject to the Bank Secrecy Act. The danger of this situation has attracted the attention of Treasury Secretary Bentsen, who has stated support for making tribal casinos subject to the Act, and who wrote recently that "without adequate recordkeeping, internal controls, and currency reporting, Indian gaming has...potential to be an attractive target for money laundering."

We are already beginning to see the negative consequences of this loose regulation.

* In a report issued last December, the Inspector General for the U.S. Interior Department said gaming revenues of over \$12 million may have been improperly diverted from tribes to operators and suppliers, principally because of theft and mismanagement by contracted operators of gaming establishments. In last Wednesday's Boston Globe, the author of that report stated that "those places are sitting ducks for fraud."

* On the Rincon Reservation outside of San Diego, three reputed mob leaders from Chicago and two local men were convicted of conspiracy to launder money and defraud the tribe.

* There have been repeated allegations of ties between the Seminole Indian Tribe's bingo operation in Florida and organized crime. Both the Interior Department and the Attorney General of Florida have begun investigations. And the FBI recently reported that ties do indeed exist.

* The Cabazon tribe in California hired a member of a local crime syndicate to run its casino. A tribal official who accused the manager of skimming profits was forced out of office and found dead two months later. While the case has not yet been solved, investigators believe that the murder was mob related.

* New Jersey's Ramapough Mountain Tribe signed a contract with the Rory Management Company (RMC). In return for spending millions of dollars on lobbying efforts to secure federal recognition for the tribe, RMC would be allowed to co-own and operate a high stakes bingo hall and casino on tribal land. Robert Frank, RMC's president, was sued less than a year later for \$6 million for alleged fraud and embezzlement scheme at a California Indian bingo hall. He was subsequently the subject of a criminal investigation for fraud, interstate money laundering, and possible ties to organized crime.

* The FBI is currently investigating Angelo Medure, who manages a casino for Minnesota's White Earth Band of Chippewa Indians. Medure is a business associate of Henry Zottola, who works for the Genovese crime family. It is suspected that these men are laundering money for that crime family.

To accompany my written testimony, I am submitting for the record 22 specific examples of organized crime infiltration or corruption in tribal gaming that have been reported in the media.

Some will say that these are isolated instances, or that they are only rumor and hearsay. But the fact is that in the five years since passage of IGRA, tribal casinos have opened in 26 states, and reports of corruption or ties to organized crime have already surfaced in 10 of them.

Anyone who honestly examines the manner in which tribal casinos are currently managed and regulated -- and the ability of organized crime networks to exploit this situation -- can only come to the conclusion that what we are seeing today is the tip of the iceberg. In fact, I am willing to submit that the only reason we have not seen even more evidence of ties between organized crime and tribal casinos is that no Federal regulatory apparatus exists to police it or look into it.

I have introduced legislation -- HR 2287, the Gaming Integrity and State Law Enforcement Act -- that will address these problems. Similar legislation has been introduced by Senators Harry Reid and Richard Bryan in the other body.

- * HR 2287 will give states the right to reject forms of gaming on tribal lands that are not allowed elsewhere in the state and give states that do allow tribal gaming more power to negotiate regulatory controls in gaming compacts.

- * It will make it the responsibility of the Attorney General of the United States to ensure that adequate background checks are conducted on individuals affiliated with tribal casinos before those individuals begin work at a casino.

- * It will also address Secretary Bentsen's concerns by making Indian gaming establishments subject to the same financial reporting requirements as other businesses in the United States.

Some have already branded my legislation as an effort simply to protect the economic interests of New Jersey and Nevada. I will not deny that the economic health of Atlantic City's casinos is crucial to the economic health of New Jersey, and that I have an interest in looking out for my home state. But I would also point to cosponsorship of this legislation by Members and Senators from California, Wyoming, Florida, Arizona, Kentucky, Wisconsin, New York and New Hampshire.

Those with open minds will also see that this legislation comes from people who know gaming, and who see better than anyone else the dangers posed by loosely regulated casinos. We know that Native Americans themselves want to prevent criminal elements from infiltrating their operations. We also know that gaming is the most productive engine of economic development that many tribes have ever experienced. We're simply trying to use our own experience to better protect them.

We also understand better than anyone the stakes that are involved if just one tribal casino is found to be under mob influence, or if just one tribal casino is found guilty of fixing games. The ramifications would not be limited to tribal casinos, but would reverberate throughout the entire industry. We cannot allow a few unscrupulous individuals to destroy an industry that has been built very carefully over several decades and that is the economic lifeblood of two states.

It is now my pleasure to introduce Donald Trump, the owner of three Atlantic City casinos, including the Taj Mahal, New Jersey's largest.

Some will casually dismiss his testimony because of his financial interests. But I urge you to listen carefully, because Mr. Trump speaks as one who has seen first-hand the extent to which proper regulation is a necessity to keep the games clean and prevent the infiltration of organized crime. He also presents a rare example of a businessman who, cognizant of the dangers posed by lax oversight, actually seeks greater regulation by the Federal Government.

Thank you, Mr. Chairman. I look forward to joining you to question the additional panels scheduled for this morning.

####

Arizona 1. Yavapai-Apache Tribe; Yavapai-Apache Reservation; Phoenix, Arizona

1. Despite the fact that federal officials seized the business records of Robert Sabes in July, 1993 for Sabes' alleged ties to organized-crime figures, the Yavapai's have awarded him preliminary approval to manage their proposed casino north of Phoenix. (U.S. News and World Report, 8/23/93).

Arizona 2. Mohave-Apache Indian Community; Fort McDowell Gaming Center; Fountain Hills, Arizona

1. William Fontana, a security consultant under investigation by the FBI and the Mohave-Apache tribal police, for allegedly bilking \$700,000 from the Fort McDowell tribal gaming center has faced similar charges twice in Arizona and once in Florida. He was hired by the casino manager to investigate, Al Weiss, the casino's security director in an effort to force Weiss out. (The Arizona Republic, 2/3/93)

California 1. Barona Rancheria; California

1. Stewart Siegel admitted to being a front for organized crime; former head of the tribe's management firm. (Los Angeles Times, 10/8/91).

2. Emmett Munley, the head of a management firm that ran gaming operations on the Barona Rancheria twice failed to get a license from the Nevada Gaming Control Board. (Los Angeles Times, 10/8/91).

3. During Congressional hearings in 1989, an anonymous witness, who was later revealed to be Stewart Siegel, admitted that he had cheated an Indian-gaming establishment out of \$600,000 per year by paying a chief \$1,000 per week. (Los Angeles Times, 10/7/91)

California 2. Cabazon Indian Tribe; Cabazon Reservation; Southern California:

1. According to the California State Attorney General's Office, in May 1981, after tribal vice president Fred Alvarez began complaining of money skimming, Alvarez and two friends were shot dead. (Los Angeles Times, 10/8/91)

2. A poker room was managed by reputed organized crime figure Rocco Zangari. (Los Angeles Times, 10/8/91)

3. In 1985, John Nichols a non-Indian advisor to the Cabazon tribe was sentenced to four years in prison for trying to hire an undercover policeman to serve as a hit man. (San Francisco Chronicle, 9/5/91).

California 3. **Rincon Indian Reservation;** San Diego County, California

1. On January 10, 1992, the reputed acting boss of Chicago's mafia, Sam "Wings" Carlisi, and eight other organized-crime figures were indicted in a fifteen count indictment comprised of felony charges for their attempts to take over gambling operations and skim casino profits. (Proprietary to the United Press International, January 27, 1992).

California 4. **Jackson Rancheria;** Amador, California

1. James L. Williams, an associate of Anthony "Tumac" Accetturo, managed a bingo hall in 1985. Accetturo was recently convicted of being the head of the Luchese organized-crime family of New York. (Los Angeles Times, 10/8/91). Williams was convicted in 1987 of failing to pay taxes on some \$300,000 he earned from Indian bingo halls. (New Jersey Law Journal, 9/13/93); (.S. News and World Report, 8/23/93).

California 5. **Mi-Wok Tribe; "Chicken Ranch";** Tolumne, California

1. In 1984, an arson fire swept through the home of and incinerated an activist for the Mi-Wok tribe named Karl Mathiesen. Mathiesen had complained that Indians were not being given fair profits. Although there it was never proven that the crime was tied to gaming, California Deputy Attorney General Rudolf Corona, Jr. has stated that "someone wanted (Mathiesen) very dead." (Los Angeles Times, 10/8/91).

California 6. **Morongo Reservation,** California

1. In 1984, the tribe sued an outsider for running an unauthorized bingo on one member's land. Testimony later disclosed that reputed crime figures Rocco Zangari and Tommy Marson frequented the hall. (Los Angeles Times, 10/8/91).

California 7. **Rumsey Rancheria;** California

1. A former tribal secretary was indicted for tax charges for allëgeuily fleeing to Nevada with a Rolls Royce and \$400,000 in gaming proceeds. (Los Angeles Times, 10/7/91).

California 8. **Soboba Reservation;** Riverside, California

1. One Indian-gaming management firm was found to have embezzzzled \$252,000 and another included a fugitive from the French Connection Heroin case. (Los Angeles Times, 10/8/91).

California 9. Twenty-nine Palms Reservation; San Bernardino, California

1. Wiretaps in 1987 overheard Chicago mobster Chris Petti discussing a possible hotel-casino, although the deal never materialized. (Los Angeles Times 10/8/91).

California 10. Cloverdale and Hopeland Bands of Pomo Indians; Northern California

1. Angelo Medure, an alleged associate of a Pittsburgh crime family plans to manage casinos for the Hopeland Band of Pomo Indians in Northern California, the Cloverdale Pomo Indians in Northern California. His involvement with the White Earth Tribe of Minnesota has led to investigation by local law enforcement officials. (U.S. News and World Report, 8/23/93).

Connecticut 1. Mashantuckett Pequot Indian Tribe; Foxwoods Casino; Ledyard, Connecticut

1. Robert W. Werner, Connecticut's top gambling regulator, complained that state police are not authorized to investigate financial backers of Indian casinos; the Hartford Courant noted that "as a result, the state has been unable to conduct a full investigation of the Malaysian company that has bankrolled the \$60 million first phase of Foxwoods and much of the \$142 million expansion now under construction" (Hartford Courant, 5/27/93).

2. The Courant reported that Werner also complained of "large backlogs" created by an inefficient background-investigation system." (Hartford Courant, 5/27/93)

3. Connecticut State Police suspect a gang from Boston of theft of "several thousand dollars" from an electronic cash-transferral system at the Foxwoods casino. (Hartford Courant, January 19, 1993)

Florida 1. Miccosukee Tribe; Miccosukee Indian Reservation; Miami, Florida

1. Tamiani Partners approved a bingo-paper supply contract with Frank Nannicola of Warren, Ohio. Nannicola is the son-in-law of Charles Imburgia, whom the Pennsylvania Crime Control Commission claims is a member of the Genovese organized-crime family from Pittsburgh. The National Indian Gaming Commission has never investigated Nannicola, the paper-supply concern run by Nannicola, or Tamiani Partners. (U.S. News and World Rpeort, 8/23/93).

Florida 2. Seminole Tribe; Seminole Indian Reservations; Tampa and Hollywood, Florida

1. Two independent investigations by the FBI and the Department of Interior's Inspector General both concluded that the management companies that run the tribe's bingo operations have ties to organized crime. (The Blood Horse, January 30, 1993)

2. The Interior Department report indicated the tribe's management contract includes no opportunity for the tribe to maintain control over the management firms. The state has no jurisdiction on reservations and the federal government will not spend the resources to ensure adequate oversight. (The Tampa Tribune, January 7, 1993)

Minnesota 1. White Earth Tribe; Shooting Star Casino; Mahnommen, Minnesota

1. The White Earth tribe's dealing with Angelo Medure, an alleged associate of Pittsburgh organized-crime figures, and Carmen Ricci, an alleged associate of New Jersey's "Nicodemo Scarfo" organized crime family, have raised concerns among citizens and law-enforcement officials. (U.S. News and World Report, 8/23/93).

2. Angelo Medure, an alleged associate of the "Nicodemo Scarfo" crime family also plans to manage casinos for the Hopeland Band of Pomo Indians in Northern California, the Cloverdale Pomo Indians in Northern California, and the Seneca-Cayuga Tribe in Miami, Oklahoma in addition to the White Earth Tribe of Minnesota. (U.S. News and World Report, 8/23/93).

Minnesota 2. Nett Lake Chippewa Tribe; Nett Lake Reservation; Minnesota

1. The Nett Lake Chippewas of Minnesota, leased 172 slot machines from a company it later discovered was owned by the non-Indian casino manager and tribal attorney. As a result the tribe paid \$2.5 million dollars to rent machines that would have cost \$800,000 to purchase. (The Boston Globe, 9/29/1993)

Montana 1. Assiniboine and Souix Tribes; Fort Peck Reservation; Wolf Point, Montana

1. The Assiniboine and Souix of Montana signed a contract to build and manage a \$10 million gaming/ retail complex with a company that had no experience in construction or casino management. \$5 million of financing included "three instruments made out in German, drawn on a Swiss bank account and payable to an Italian national." (The Boston Globe, 9/29/93).

2. The Inspector General's report states "The international financial arrangements indicate the need for constant scrutiny to ensure that such arrangements are sound and protect the interests of Indian tribes. (The Inspector General's report)

New York 1. **Saint Regis Mohawk Tribe;** Saint Regis Mohawk Reservation; upstate New York

1. In 1990 an associate of John Gotti was arrested for shipping slot machines to the reservation. (Los Angeles Times, 10/7/91).

2. A casino -- legal only because of a compact signed after 1991 -- opened there in July 1993.

Oklahoma 1. **Seneca-Cayuga Tribe;** Miami, Oklahoma

1. Angelo Medure, who is involved with operation in the Seneca- Cayuga gambling hall, has has been under investigation for his dealings with tribal casinos in California and Minnesota, and for his connections to the Genovese crime family.

Wisconsin 1. **Wisconsin Winnebago Nation; Winnebago Reservation;** Madison, WI

1. Under the management of Glenn Corrie, the Winnebago tribe of Madison, Wisconsin lost \$2,000,000 in illegal payments to Corrie and cannot account for another \$3,700,000 in casino revenue intended for the tribe. (Star Tribune (Wisconsin), July 4, 1993)

2. The Inspector General's reports indicate that the tribe saw its \$2 million dollars in savings become \$2.5 million in debt over 18 months due to casino mismanagement. (The Boston Globe, 9/29/93)

New Jersey 1. **Ramapough Mountain People; Ramapough "Reservation";** Bergen County, New Jersey

1. The Rampough Mountain People, a group currently under consideration for federal recognition that plans to open a casino in Northern New Jersey, employed Robert Frank as a "consultant" until 1991. Frank is a longtime associate of Anthony "Tumac" Accetturo, who has been involved extensively with Indian gaming operations across the country. Accetturo was recently convicted (in New Jersey) of racketeering, extortion, and being the head of New York's "Luchese" organized-crime family. Frank also maintains ties with James Williams, who was convicted in 1987 of failing to pay taxes on some \$300,000 he earned from indian gaming bingo halls. (New Jersey Law Journal, 9/13/93); (U.S. News and World Report, 8/23/93).

Mr. RICHARDSON. I thank my colleague.

Mr. Trump, please proceed, and welcome to this committee.

**STATEMENT OF DONALD TRUMP, CHAIRMAN AND PRESIDENT,
TRUMP ORGANIZATION, NEW YORK, NY**

Mr. TRUMP. Thank you very much, Mr. Chairman. It is an honor to be here, and I appreciate the time.

I had a rather long and probably very boring speech drawn out, and I have decided not to read this speech after having heard so much this morning. It was politically correct, it was something that was going to get me in no trouble whatsoever, but I just don't feel it is appropriate to go through it.

I think that it is obvious from everything you have heard today that organized crime is rampant, is rampant—I don't mean a little bit—is rampant on the Indian reservations. People know it; people talk about it.

I watched the FBI discussing the fact that they had virtually no agents checking, and I just wondered to myself, I wonder what J. Edgar Hoover would have said about this.

What is happening on the Indian reservations is known by the Indians to a large extent. I don't believe anything is being done about it. And, to be honest with you, I think if you knew some of the characters that you are dealing with, I think they would be afraid to do anything about it.

In Atlantic City and in Las Vegas we have the FBI, many, many folks from the FBI, we have our own people, we have the U.S. attorneys, we have sheriffs, we have marshals, we have everything watching every move.

As Congressman Torricelli said, they really know me better than I know myself, everybody, from the Casino Control Commission all the way up or down. It is really an incredible situation that I have to go through in terms of checks. Every check I sign, every document I sign is scrutinized by, not one, not two, but in many cases three, four, and five different groups of people, and in the end I am not saying that things can't be done wrong, I am not saying that things can't happen, but people are going to get caught; they are absolutely going to get caught.

I have witnessed so many different things, and I can't tell you. We have an industry in Atlantic City that has contributed \$2.5 billion to the Casino Revenue Fund. That is a fund set up for senior citizens and the disabled. Two things can happen, and this is big money. This is, 9.25 percent of every dollar gets sent to the senior citizens and to the disabled in New Jersey and beyond, and beyond in terms of groups of people.

If this continues as a threat, it is my opinion that it will blow, it will blow sky high, it will be the biggest scandal ever or one of the biggest scandals since Al Capone in terms of organized crime, and it is going to destroy an industry that is a legitimate industry, an industry that is watched carefully by everybody. This will be a scandal. Congressman Miller, I believe, will be very embarrassed by it, I believe a lot of you folks that are standing there, I believe honestly knowing that what you say is perhaps not as correct as you would like to make it sound. I believe that there is going to be a lot of embarrassed and a lot of red faces.

But to sit here and listen as people are saying that there is no organized crime, that there is no money laundering, that there is no anything, and that an Indian chief is going to tell Joey Killer to please get off his reservation is almost unbelievable to me.

I listen about sovereign nation, the great sovereign nation, and yet \$30 billion to all of the various programs was contributed to the sovereign nation for education, for welfare, for this, for that.

I listened as to sovereign nation, and yet the sovereign nation and the people of the sovereign nation have the right to vote in our country.

I listen as to sovereign nation, all of the medical, all of the other treaties.

I want to know, can Indians sign treaties with foreign nations? Can they go and sign a treaty with Germany? The answer is no. How is it a sovereign nation?

It is only a sovereign nation in that Indians don't have to pay tax, and what you have—what you have is, you have a very interesting dichotomy. We are paying \$2.5 billion worth of tax. The Indians don't have to pay tax. Nobody is more for the Indians than Donald Trump.

And you ask about competing. I love to compete. Nobody likes—and I think many of you folks up there know for a fact that I love to compete. But I like to compete on an equal footing. I am competing and paying hundreds of millions of dollars in tax. My so-called—as you would call them—opponent—and they are not an opponent—but my opponent is competing and paying no tax. It is not a fair situation. It is not fair to the States.

If, in fact, Indian gaming were allowed in northern New Jersey, the Fund for Senior Citizens would be totally destroyed, the fund for medical care and all of the other uses that this tax money is paid for would be totally destroyed, and I think that is a real big problem.

And one other thing I might add. We talk about Indians like gaming is going to be the salvation. You have a group of Indians in Connecticut. I have heard 300, I have heard 400. It is a casino that is far and away the most profitable in the world because, again, they don't pay tax. Why don't they distribute some of the funds to all of the other Indians throughout the United States that don't have a location of Connecticut right next to New York City and right next to Boston?

Why is it that the Indians—we talk about these 300 Indians which, by the way, was rather recently formed—why don't they make their contributions to all of the Indians? You have probably a profit on that, I would estimate, of \$400 or \$500 million. This goes to a total of about 300 to 400 Indians. Why don't we make contributions? Why doesn't this money get taxed, and why doesn't this money be distributed throughout the United States to Indians who locationally can't have a reservation where you would have a casino because the casino is too far away from the population?

So I listened to what has gone on today, and truly I am amazed, and I am disappointed. I am disappointed as a citizen. When I have to sit here and listen to people saying that everything is just peachy-dory, it is not, folks. It is going to blow. It is just a question

of time, and when it blows you are going to have a lot of very embarrassed faces sitting right where you folks are sitting right now.

Thank you very much.

[Prepared statement of Mr. Trump follows:]

TESTIMONY

Of

DONALD TRUMP, PRESIDENT

TRUMP ORGANIZATION

Before

The

SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

October 5, 1993
9:30 a.m.

Good morning Mr. Chairman and Members of the Committee. Thank you for the privilege of appearing before you today on this important issue.

Thank you, Bob, for that warm introduction, and thank you for being here with me today. Your presence clearly indicates the importance of this matter to the people of New Jersey.

I'm Donald Trump. I'm from New York where I develop, restore and create new properties and hotels. As Bob Torricelli noted, I also operate three casinos in Atlantic City under license from the State of New Jersey and that is why I am here today. Those casinos have stockholders and bondholders other than myself. As Chairman of the Board of these casinos, I represent their interests as well.

Much has been said in recent weeks about the big casino interests - people like Donald Trump taking on America's native people. Trump and all the moneyed, muscle crowd attacking minorities. That isn't the case at all. In a sense, this has little to do with the Indians. Neither I nor my colleagues in the industry oppose the right of our first countrymen to seek economic determination and to secure their futures. As you know, many people in our industry are helping Indian tribes accomplish that goal.

I am not here to quarrel with Indians. But I and others do have a quarrel with the federal government. And when it comes time for a single citizen to stand up to the power and resources of Washington, all of us, including Donald Trump, are just members of John Q. Public. A little guy against the biggies.

But America is a great country and even little guys, in this case even Donald Trump, have some rights. And states also have some rights in our constitutional system. We believe that in this case the rights of Donald Trump, the residents of New Jersey and the state itself are quite synonymous.

As stated, I operate three casinos in Atlantic City. Actually, although a lot of people seem to think I know little about the business, I am the largest individual casino operator in the world. I say that modestly as you would expect.

However, in New Jersey, I and my colleagues don't merely operate casinos for our own fun and profit. We are economic partners with the state. The first 9.25 percent of every dollar we take in goes to New Jersey - off the top - off our gross, not our net. Eight percent of that goes to support the Casino Revenue Fund (CRF). This is a state program we fund which supports seniors and the disabled. It allows seniors to buy prescription drugs for \$5.00, offsets their property taxes, helps reduce their electricity bills and provides other services like home health care. It offers our seniors and disabled both security and dignity.

In 1992 New Jersey casinos provided \$255 million to this fund. Since 1978 when Atlantic City's first casino opened, our industry has provided \$2.5 billion to the CRF.

The next 1.25 percent of gross casino revenue goes to a state agency, the Casino Reinvestment Development Authority (CRDA). We are the sole funding source of that organization. Last year we provided \$40 million to the CRDA which invests these funds in public projects throughout New Jersey. Through 2009, it is

estimated the CRDA will invest \$654 million in Atlantic City, \$413 million in southern New Jersey and \$297 million in northern New Jersey. This money has and will continue to build housing, day care centers, senior citizen complexes and shopping centers in all of the state's urban areas. It's a lot of money, and it's for worthwhile causes.

Some 75,000 New Jerseyans and their families are working because of our business; more than 43,000 directly in Atlantic City. We employ well over half of the city's entire work force. In 1992 alone we paid more than a billion dollars in wages and benefits to our people.

More than \$5 billion of investment, that's right \$5 billion of private capital has made Atlantic City the economic base of the entire southern half of New Jersey. We represent over 4 percent of the state budget.

We have accomplished all this under the most restrictive regulatory standards in the country. We are the most highly regulated business in any capacity in any venue. We pay the state over \$60 million annually for our own regulation. That's correct - we pay to regulate ourselves although state regulation is separate and apart from us and beyond reproach.

As I said, our regulation is stiff. Each of my businesses is relicensed on a biannual basis. As of now, I must personally requalify each year. All key employees must do so. This is no easy process. Every activity and transaction are checked by the State Police. Some eighty pages of documentation; associations, personal and business checks; family background; and resources. It is totally pervasive. Actually,

I am told that some of the owners of sports franchises in our country would not qualify for licensure in New Jersey's casino industry.

I can state without fear that we are solid corporate citizens operating a clean and honest entertainment business. Both we and New Jersey are proud of this record and rightfully so.

Do you wonder, therefore, why we are so deeply concerned, even paranoid, that Indian tribe operations are not similarly regulated. Do you know what would happen to our reputations, our businesses if organized crime gained a foothold in any of the Indian operations. I am not suggesting that organized crime has done so although there have been numerous articles in the press that this has happened. It is the mere possibility that scares us. A scandal in any Indian casino operation would reflect on us, rub off on our industry. Our honesty, our integrity, our reputations would be compromised at once. It is an old story - guilt by association. Years of work down the drain. We know that Indian tribes want clean and honest operations. However, we also know that people involved in advising some of the tribes, those operating and funding certain of their operations, are not subject to the strict licensing and qualifying regulations in place in New Jersey and other states. Yes, we are concerned, very concerned. The federal government has unleashed a process without regard to the economic or social consequences to the state in which the activity takes place.

However, I am not in law enforcement so I will let the law enforcement people discuss these matters.

I am here to talk about what could happen in New Jersey if this process were applied there. I would like to trace for you what would happen to us, our employees and their families, our seniors and disabled if the federal government unilaterally determined to recognize an Indian tribe in northern New Jersey near New York City. Please note I used the word would; not what could happen.

First of all, an Indian casino operation in northern New Jersey would be the economic death knell to Atlantic City. Much of our market, which we and the state, our economic partner, have worked hard to create and protect, would disappear. No one will ride two hours in traffic to do the same thing that they could do in fifteen minutes or a half hour. We would lose jobs - a lot of them because casinos would be forced to close in a dwindling market.

New Jersey's public investment in a new convention center, in airport development would be seriously compromised. Millions spent on new infrastructure and highway development would have been wasted. Atlantic City, even today, is a state resource and treasure which would be immediately undermined.

Let's forget Donald Trump and the casino industry for a moment. What about New Jersey's citizens. Certainly the millions for seniors and the disabled and reinvestment would decrease quite measurably. The money will not be replaced by an Indian casino.

What about the state? Would New Jersey be able to assure itself that its public policy of strict regulation would be maintained? Not to the extent that it now controls the regulation of gaming in Atlantic City. Under existing laws, no state has

prerogative over Indian gaming. Therefore, the state would be powerless to carry out its regulatory policy over these operations. It is quite a dichotomy. New Jersey, which has prided itself as the state with the strictest form of casino regulation, could be forced to accept lesser standards for Indian tribes operating within its state. Such is the nature of State - Indian compact negotiations where states are forced to accept less than optimum regulatory measures out of fear that they will be sued by Indian tribes for not negotiating in "good faith."

And what about workers. Did you know, for example, this week at the AFL-CIO meeting in San Francisco that some of our largest unions, the Service Workers, the Seafarers, the Operating Engineers and the Restaurant and Hotel Workers joined to form the Riverboat and Indian Gaming Service Trade Council? The purpose of the council is clear-cut - to protect workers. Do you know why? Because federal laws, like the Taft-Hartley, like the jurisdiction of the National Labor Relations Board do not apply. They also cease to exist at the tribal land doorstep. At present, union workers even in states like New Jersey, would have no federally or state protected rights or the ability to organize in casinos operated on tribal lands. The unions hope to do something about this. They hope to gain the right to recognition, the right to organize if they so choose. Quite frankly, I hope they have better luck than we have had so far.

So gentlemen, the issue is really not Donald Trump and the moneyed casino interests against various Indian tribes. The issue is whether our government in recognizing the legitimate rights of our native Americans will simultaneously assure that the rights of our state's own citizens, our workers, our seniors and, yes, even Donald Trump, are not bargained away or stomped upon in the process.

That is the reason that myself and others are supporting Bob Torricelli's legislation and also why I filed a lawsuit against the Secretary of the Interior. I'm a citizen, and I believe it is my right to protect myself and my companies when the government refuses to do so.

Thank you.

Mr. RICHARDSON. Thank you.

Mr. Trump, let me start out by exercising the prerogative of the chair in asking the first question. You mentioned the words "rampant organized crime infiltration on Indian gaming."

Mr. TRUMP. Yes, sir.

Mr. RICHARDSON. Have you presented this evidence to the FBI or to this committee? Do you have documentation of that?

Mr. TRUMP. Well what I have is, I have many, many instances of events one after another—organized crime figures, killings, deaths, laundering of money. I mean I could read them to you. Frankly, this would have been much more interesting to read than my own testimony. That is why I decided not to read my testimony. Wisconsin, White Earth tribe, all the Apache Tribe—all instances one after another. I have more instances here. You folks know that. I really believe you know that, and I could give you any documentation I have.

Now, this is without having people watching. This is with listening to an FBI person saying that he has got no men—no men, zero—assigned to the reservation.

At the Taj Mahal, I spent more money on my security and my security systems than most Indians spend in building their entire casino, and I will tell you, without that kind of security equipment and that surveillance equipment and the numbers of people, you cannot police it.

But what you really also need is, you need Government help. When the bad guys come in, when the tough guys come in, you have got to have somebody behind you. There is nobody behind these people. There is nobody there. There is nobody there to help, and when the tough guys go up and they say what they want, I truly don't believe—I truly do not believe, and I don't believe you believe, that anybody is going to do anything about it. They are going to get everything they want.

Mr. RICHARDSON. Well, Mr. Trump, I don't agree with that. Let me just say, we want your evidence. Now you have detailed that in your opening statement. We want to investigate this. This committee is not trying to cover anything up. We are interested in this issue.

You have basically stated that the problem seems to be that the FBI doesn't have any people, or is that correct?

Mr. TRUMP. I think it is far beyond that. I think that people have got paper bags over their faces and nobody's looking. Everybody, it seems to me, from even just a common sense standpoint, knows what is going on. Everybody knows what is going on.

I can tell you this. In New Jersey you have what is called a black list, or a list of people that we are not allowed to do business with. These people were a constant source of irritation. I can supply the list of names if you would like the list of names. But it was a large list of names, and these were not very good people, and some of them were plenty rough. These people were a constant irritation, a constant problem. We weren't supposed to, but they were always trying to get in, trying to be down there, trying to do whatever they do, and it was a constant source.

One of my executives told me the other day, "The only good thing about the Indian reservation is that we don't see these people any

more, we don't see them any more." Now why don't we see them? I guess because they have a lot easier fish, I don't know, but we don't see them any more. So it makes our job a little bit easier.

Mr. TORRICELLI. Mr. Chairman?

Mr. RICHARDSON. Mr. Torricelli.

Mr. TORRICELLI. May I address your question? I was a young lawyer in our governor's office in New Jersey when we legalized casino gaming, and I think that experience will help answer your question.

We were extraordinarily naive. We passed good laws to keep organized crime out of the casinos, and I am proud of what we did. A year hadn't gone by when they were monopolizing vending machines, and then laundry operations. You will never find the presence of organized crime without an intense effort.

It is said there are none so blind as those who will not see. I didn't come here to embarrass the FBI today in my questioning. It was simply to point out that this will take a concerted effort. Mr. Trump may, by chance, come upon a name, as I have in these 22 instances, from the popular media, but I will assure you, if the popular media can find 22 States with organized crime involvement in a cursory look, a dedicated effort by the FBI is going to find something more substantial.

I first came to this issue in an interesting way. I heard constituents of mine were raising money to create a management company in South Dakota to run an Indian bingo hall. I knew who they were, and I knew they were connected, and I got curious with the issue. That case isn't here, never been written about, nobody even knows about it. But this will not come from citizens rushing to the FBI, it will come because we have a concerted effort to establish laws, to regulate, and then to fine.

Mr. RICHARDSON. I agree with my colleague.

Let me ask my last question to Mr. Trump.

Mr. TRUMP. Yes, sir.

Mr. RICHARDSON. Did you submit this list to the FBI at any time?

Mr. TRUMP. This was a list that was given to me by lawyers of various things that are currently going on and investigations and, by the way, convictions, many convictions on the list.

I am not a law enforcement officer. I am not supposed to be going around checking Indian reservations. That is what you have the FBI for, and they are very capable, the most capable. But that is not my job. My job is to come here and tell you that from a standard of the largest casino operator in the world, which I am, I will tell you that there is no way the Indian gaming is going to be controlled and not be totally taken advantage and, in my opinion, totally taken over in almost every instance, totally taken over, by the mob. There is no way that the Indians are going to protect themselves from the mob. There is no way.

I think most of you people sitting up there honestly believe that. I don't know that that is going to affect your judgment, but I believe that you honestly believe that.

From a common sense standpoint, from a practical standpoint, there is no way the Indians are going to protect themselves from the mob.

Mr. RICHARDSON. But we have no evidence that the FBI has checked any of the 22 instances out.

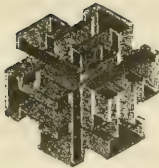
Mr. TRUMP. You can't have evidence when the FBI doesn't have one man assigned to Indian gaming. How can you have evidence? That is exactly the point. You need armies of people, armies of people to check. Every check that they have written, you have got to check those checks. You have got to see who is supplying the meat, who is supplying the potatoes, who is supplying the potato chips. You have got to check every supplier going into that Indian reservation.

The checking is a joke. The checking is a joke, and you have got to do something because this will be the biggest crime problem in this country's history, in my opinion.

Mr. RICHARDSON. Let me just conclude by making a formal request to you, Mr. Trump, that you provide this committee with all the available data, documentation, that you and my colleague have discussed today.

Mr. TRUMP. It would be an honor. Thank you.

[The information follows:]



10/25/93

October 25, 1993

The Honorable Bill Richardson
Chairman, Native American Affairs Subcommittee
U.S. House of Representatives
2349 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Richardson,

In the recent hearing of the Native American Subcommittee of the House Natural Resources Committee, Chairman Miller repeatedly challenged me to put forward evidence of organized crime involvement in the Indian gaming industry.

I am enclosing a list of 13 examples of serious organized crime involvement in Indian reservation casinos many of which were widely reported in the press. The list includes the following incidents:

* Barona Rancheria; California

Stewart Siegel admitted to being a front for organized crime; former head of the tribe's management firm.
Exhibit A (Los Angeles Times, 10/8/91).

Emmett Munley, the head of a management firm that ran gaming operations twice failed to get a license from the Nevada Gaming Control Board.
Exhibit A (Los Angeles Times, 10/8/91).

During Congressional hearings in 1989, an anonymous witness, who was later revealed to be Stewart Siegel, admitted that he had cheated an Indian gaming establishment out of \$600,000 per year by paying a Chief \$1,000 per week.
Exhibit B (Los Angeles Times, 10/7/91).

THE TRUMP ORGANIZATION

725 FIFTH AVENUE • NEW YORK, N.Y. 10022 212 • 832 • 2000 TELEX • 427715

* Cabazon Indian Tribe; Cabazon Reservation;
Southern California

According to the California State Attorney General's Office, in May 1981, after tribal Vice President Fred Alvarez began complaining of money skimming, Alvarez and two friends were shot dead.
Exhibit A (Los Angeles Times, 10/8/91).

A poker room was managed by reputed organized crime figure Rocco Zangari.
Exhibit A (Los Angeles Times, 10/8/91).

In 1985, John Nichols a non-Indian advisor to the Cabazon Tribe was sentenced to four years in prison for trying to hire an undercover policeman to serve as a hit man.
Exhibit C (San Francisco Chronicle, 9/5/91).

* Jackson Rancheria; Amador, California

James L. Williams, an associate of Anthony "Tumac" Accetturo, managed a bingo hall in 1985. Accetturo was recently convicted of being the head of the Luchese organized crime family of New York.
Exhibit A (Los Angeles Times, 10/8/91).

Williams was convicted in 1987 of failing to pay taxes on some \$300,000 he earned from Indian bingo halls.
Exhibit D (New Jersey Law Journal, 9/13/93);
Exhibit E (U.S. News and World Report, 8/23/93).

* Miccosukee Tribe; Miccosukee Indian Reservation;
Miami, Florida

Tamiani Partners approved a bingo-paper-supply contract with Frank Nannicola of Warren, Ohio. Nannicola is the son-in-law of Charles Imburgia, whom the Pennsylvania Crime Control Commission claims is a member of the Genovese organized crime family from Pittsburgh. The National Indian Gaming Commission has never investigated Nannicola, the paper-supply concern run by Nannicola, or Tamiani Partners.
Exhibit E (U.S. News and World Report, 8/23/93).

* Mi-Wok Tribe; "Chicken Ranch"; Tolumne, California

In 1984, an arson fire swept through the home of and incinerated an activist for the Mi-Wok Tribe name Karl Mathiesen. Mathiesen had complained that Indians were not being given fair profits. Although it was never proven that the crime was tied to gaming, California Deputy Attorney General Rudolf Corona, Jr. has stated "someone wanted [Mathiesen] very dead."

Exhibit A (Los Angeles Times, 10/8/91).

* Morongo Reservation; California

In 1984 the tribe sued an outsider for running an unauthorized bingo on one member's land. Testimony later disclosed that reputed crime figures Rocco Zangari and Tommy Marson frequented the hall.

Exhibit A (Los Angeles Times, 10/8/91).

* Ramapough Mountain People; Ramapough "Reservation"; Bergen County, New Jersey

The Ramapough Mountain People, a group currently under consideration for a federal recognition that plans to open a casino in Northern New Jersey, employed Robert Frank as a "consultant" until 1991. Frank is a longtime associate of Anthony "Tumac" Accetturo, who has been involved extensively with Indian gaming operations across the country. Accetturo was recently convicted (in New Jersey) of racketeering, extortion, and being the head of New York's "Luchese" organized crime family. Frank also maintains ties with James Williams, who was convicted in 1987 of failing to pay taxes on some \$300,000 he earned from Indian bingo halls.

Exhibit D (New Jersey Law Journal 9/13/93);

Exhibit E (U.S. News and World Report, 8/23/93).

* Rincon Indian Reservation; San Diego County, California

On January 10, 1992 the reputed acting boss of Chicago's mafia, Sam "Wings" Carlisi, and eight other organized crime figures were indicted in a fifteen-count indictment comprised of felony charges for their attempts to take over gambling operations and skim casino profits.

Exhibit F (Proprietary to the United Press International, 1/27/92).

- * Saint Regis Mohawk Tribe; Saint Regis Mohawk Reservation; upstate New York

In 1990 an associate of John Gotti was arrested for shipping slot machines to the reservation.
Exhibit B (Los Angeles Times, 10/7/91).

A casino -- legal only because of a compact signed after 1991 -- opened there in July 1993.

- * Soboba Reservation; Riverside California

One Indian gaming management firm was found to have embezzled \$252,000 and another included a fugitive from the French Connection Heroin case.
Exhibit A (Los Angeles Times, 10/8/91).

- * White Earth Tribe; Shooting Star Casino; Mahnommen, Minnesota

The White Earth Tribe's dealings with Angelo Medure, an alleged associate of Pittsburgh organized crime figures, and Carmen Ricci, an alleged associate of New Jersey's "Nicodemo Scarfo" organized crime family, have raised concerns among citizens and law enforcement officials.
Exhibit E (U.S. News and World Report, 8/23/93).

Medure also plans to manage casinos for the Hopeland Band of Pomo Indians in Northern California, and the Senaca-Cayuga Tribe in Miami, Oklahoma.
Exhibit E (U.S. News and World Report, 8/23/93).

- * Wisconsin Winnebago Nation; Winnebago Reservation; Minnesota

Under the management of Glenn Corrie, the Winnebago Tribe of Madison, Wisconsin lost \$2,000,000 in illegal payments to Corrie and cannot account for another \$3,700,000 in casino revenue intended for the tribe.
Exhibit G (Star Tribune, Wisconsin, 7/4/93).

* Yavapai-Apache Tribe; Yavapai-Apache Reservation;
Phoenix, Arizona

Despite the fact that federal officials seized the business records of Robert Sabes' in July 1993 for Sabes' alleged ties to organized crime figures, the Yavapai's have awarded him preliminary approval to manage their proposed casino north of Phoenix.

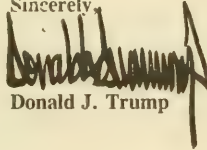
Exhibit E (U.S. News and World Report, 8/23/93).

All of these incidents were found despite the fact that the F.B.I., per the testimony of Agent Jim E. Moody (Section Chief, Organized Crime/Drug Operations of the Criminal Investigative Division of the F.B.I.) at your hearings, had no agents assigned to the Indian reservations.

I know some will argue that many of these serious situations took place before the enactment of the 1988 Indian Gaming Act. However, as I am sure you are aware, the Inspector General of the National Indian Gaming Commission recently reported that the 1988 Act is not being enforced.

Consequently, there is every reason to believe that organized crime involvement in Indian casinos will continue until government regulation and oversight is put in place to insure the integrity of those individuals involved in Indian gaming, and until Indian reservations are subject to the same Banking Secrecy and Currency Transaction regulations and taxation that the rest of the casino industry in the rest of the United States are subject to.

Sincerely,



Donald J. Trump

APPENDIX TO MEMORANDA DATED 2/24/93:

General comments in the media regarding the lack of effective law enforcement efforts to prevent organized crime infiltration of Indian gaming operations.

Specific examples of organized crime infiltration into Indian gaming operations: media reports

Exhibit A	Los Angeles Times	10/08/91
Exhibit B	Los Angeles Times	10/07/91
Exhibit C	San Francisco Chronicle	9/05/91
Exhibit D	New Jersey Law Journal	9/13/93
Exhibit E	U.S. News and World Report	8/23/93
Exhibit F	Proprietary to the United Press International	1/27/92
Exhibit G	Star Tribune	7/04/93

6TH STORY of Level 1 printed in FULL format.

Copyright 1991 The Times Mirror Company
Los Angeles Times

October 8, 1991, Tuesday, Home Edition

SECTION: Part A; Page 1; Column 5; Metro Desk

LENGTH: 3667 words

HEADLINE: TRIBE HITS JACKPOT WITH ITS GAMBLING OPERATION;
INDIANS: LED BY WELFARE MOTHER, CLAN MEMBERS TAKE BACK BUSINESS FROM OUTSIDERS
AND TRANSFORM THEIR LIVES.

SERIES: THE INDIAN'S GAMBLE: Tribal Economies Are Banking on a Billion-Dollar
Gambling Industry. Third in a five-part series. Next: Amid confusion among
regulators, tribes embrace slot-type gambling machines.

BYLINE: By PAUL LIEBERMAN, TIMES STAFF WRITER

DATELINE: SYCUAN RESERVATION, Calif.

BODY:

Anna Sandoval remembers the low point as the day she trudged 10 miles to El Cajon, a Mission Indian on welfare looking for milk for her five children. Passing the wooden shacks with outhouses on the rocky hillsides of her reservation, she prayed for deliverance of her people.

"I said, 'God, what can you do to help us?' " she recalled.

Two decades later, when the bingo came, the first thing she did was build a new church.

Then came the houses. Sprouting on the hillsides were 29 Spanish-style home rivaling those of any suburban subdivision.

Built nearby were a health clinic and firehouse designed to save lives of Indians and non-Indians alike throughout the Dehesa Valley in eastern San Diego County.

And last November, Sandoval -- by then a fixture as tribal chairman -- dedicated a new 68,000-square-foot Sycuan Gaming Center, a sparkling complex reminiscent of the Vegas Strip with a 1,500-seat bingo parlor, 520-seat off-track betting "theater" and sunken 35-table poker area overlooked by a restaurant, bar and gift shop.

Sycuan -- a square mile of wasteland where the government dumped a few Indian families a century ago -- had become one of the great success stories of Indian gambling, up there with the San Manuel band in San Bernardino, the Seminoles in Florida and the Shakopee Sioux in Minnesota.

There is a grim underside, to be sure, to the industry that in one decade has come to dominate Indian economies: reservations left with empty bingo halls, victimized by Mafia infiltration, devastated by internal battles. For the majority, the alluring promise of gambling has not been realized. It's been a marginal moneymaker, an occasional source of jobs and trickle of profits.

1991 Los Angeles Times, October 8, 1991

But some have prospered. In California, for example, gambling has brought clear economic gains to a half dozen of the state's 96 Indian communities.

Reservations once derided as blights on the surrounding area now hire their non-Indian neighbors. Tribes that once looked for charity hand it out. Families that lacked indoor plumbing have satellite dishes in their back yards.

Even more significant, perhaps, are the changed lives: Philip Knight freed from picking sugar beets to become full-time chief executive of the Rumsey Rancheria; the children at San Manuel rejoicing at receiving bonuses for good grades from kindergarten through college; and John Welmas, once sinking into cocaine addiction, now sober and running a \$400,000-a-year business feeding gamblers at the Cabazon Reservation.

"If it wasn't for the bingo," he said, "I probably wouldn't be around today

Why have some reservations made it while others have become casualties?

A prime location never hurts -- proximity to a Minneapolis or San Diego. Go management is a must. But equally essential is political stability, particular leadership able to maneuver around the trapdoors that doom many tribes.

This was difficult to find in California, where Indians were scattered on small plots. Few groups had the traditions of strong government seen among the great Indian nations elsewhere.

While the Oklahoma Creeks had a two-house legislature and volumes of tribal law, politics here was of the extended family variety. One clan battled another for control of sewer hookups, housing funds -- or bingo profits. Unscrupulous promoters could play one faction against another, offering gifts, jobs or cash

"It's much like if you feed fish," said David W. Peri, a Bodega Mi-Wok who teaches anthropology at Cal State Sonoma. "If you have a small area and throw a crumb, the crumb disappears quickly. And what you have is people after each other in the hope that the crumb is still there."

"Infighting, power and greed," was the way Anna Sandoval put it. "You put them all together and they'll destroy you."

They never destroyed her. But after she wound up in the grandest home in Indian country, a Cadillac in the driveway, they did put a bittersweet ending what should have been her moment of triumph.

Sycuan (pronounced SICK -- wan), needed crumbs -- anything -- when she was elected chairman in 1972. A short, stout woman with an air of confidence, she became the undisputed leader, the object of "a mother complex or whatever," said Jim Trant, the non-Indian development expert she brought in as a consultant in 1983.

Even then, the reservation remained "largely neglected," a government survey said. The average adult had a sixth-grade education. The only communal structures were a century-old Catholic church, reflecting their heritage as Kumeyaay Mission Indians, and a cinder-block meeting hall.

1991 Los Angeles Times, October 8, 1991

The bingo hall would dwarf those. It was proposed in 1983 by Pan American International, a company that ran one of the pioneering Seminole halls in Florida and was looking to branch out to reservations coast to coast.

When tribe members worried about the influx of strangers, Sandoval suggested a construction site in a corner of the reservation -- which happened to fall on her property and that of another member. "I said, 'We can put it on my land'" she recalled.

She'd get a larger share of the hassle -- traffic right by her home -- but also of the rental, which was based on profits. If the place prospered, so would she. "They got mad about it later," she said of her fellow Indians.

At the time, however, who knew what would become of bingo? Worried it could disappear any day, Sandoval rolled tortillas in her kitchen and sold them to the players.

Indeed, it was no overnight success.

Within a year, the hall was raided by San Diego County sheriff's deputies, who said an upstairs lounge featured illegal casino games. Court decisions had affirmed Indians' right to offer high-stakes versions of any gambling legal in state -- then basically bingo and poker in California. At Sycuan, though, a game dubbed "bingo-jack" was being played at what were "obviously blackjack tables," then-Sheriff John Duffy declared.

As late as 1987, testifying before the U.S. Senate Select Committee on Indian Affairs, Duffy distributed photos of "dilapidated conditions" at Sycuan to illustrate the failure of Indian gambling. "Reservations themselves . . . have not profited," he said.

Sandoval was hearing similar criticism from her people.

Tribe members received only small payments, \$300 in the summer and at Christmas. "They promised us a lot of things, and I haven't seen nothing yet," one elder griped.

The problem, Trant said, was that while the tribe was supposed to get 55% of the net, Pan Am reported little profit.

There was grumbling from another direction as well. An Indian activist from Arizona, Dineh Eagle, rallied six elders to write their congressman asking to have "our reservation restored to our old ways." They accused Sandoval of being part of "a money oriented clique" ruining the place.

Elsewhere, such factionalism was paralyzing. Here, Sandoval obtained a court order barring Eagle from the reservation. "She was just stirring them up," the chairwoman recalled.

"Anna? If she likes you she's a great person. If she doesn't like you, stay out of her way," said Kenny Meza, then chairman of the nearby Jamul Reservation.

By the end of 1987, Sycuan made its big move: Declaring Pan Am in violation of a tribal licensing ordinance, the Tribal Council ordered the company off the reservation.

1991 Los Angeles Times, October 8, 1991

While the action was fought in court, Sycuan eventually prevailing, tribe members ran the bingo themselves -- profitably. "The next month . . . we had about \$300,000 to distribute," Trant said.

In 1989, Sycuan was among the first reservations to take advantage of the national Indian Gaming Regulatory Act by negotiating a "compact" with the state to add off-track betting to its mix of games.

To direct the expansion, Sycuan didn't pick the promoters regularly making pitches to Indians. Trant found an Arizona-based partnership, First Astral Corp whose background was in real estate and entertainment.

Whereas some tribes allowed outside managers to hand them profit-and-loss statements, Sandoval insisted the Indians count the chips themselves.

"When they come in and say 'We want to help you, do this for you,' that's bull," she said. "They're here for money, not because they want to help the Indians."

This year, with \$30 million in betting on horse races alone, the tribe expects to clear \$4 million. But that estimate is conservative -- the Indians received a check for \$600,000 one month recently.

The Sycuan Gaming Center bears little resemblance to unadorned aluminum or cinder-block bingo halls elsewhere. It has a Southwest look, sand-colored with peach accents, and an entryway with skylights and mirrored ceiling. You drive and a valet parks your car.

People start coming at 9:30 a.m. for "Wake Up Action Bingo." There's "matinee" bingo also, then conventional evening sessions.

While women are the mainstay of bingo, men are drawn by the plush poker parlor and off-track betting. Showing races on a 20-foot screen, the casino drew \$150,000 in bets for the Kentucky Derby alone, the tribe keeping 2.3% of the handle.

With 600 workers, Sycuan is one of the largest employers in east San Diego County. And with nearly 1 million visitors expected this year, marketing director Fritz Opel, a former Disney executive, has a motto: "Why go to Vegas when you can come out to Sycuan?"

For years, the Indians were the objects of complaints about run-down conditions, drunkenness and the like.

Their problems with the surrounding community are very different when they run the most successful business around.

Now neighbors complain about traffic and overdevelopment. Some look cynical at Indian gambling as "people trying to get away with something, rather than accord them the dignity they deserve as governments trying to do good for their people," said Jerry Levine, attorney for the San Manuel Reservation in San Bernardino County.

That's why the Sycuan Fire Department was so important. With an ambulance, two firetrucks and 13 employees, it began answering calls throughout the

1991 Los Angeles Times, October 8, 1991

Dehesa Valley, where residents previously might wait 30 minutes for an ambulance from El Cajon.

"Had the tribe offered this in any formal manner to the community, it probably would not have been accepted, just because of jealousy, resistance," Trant said.

The tribe also sponsors a Little League team (the Sycuan Bandits) and bought computers for a nearby elementary school.

Other bands similarly have learned the art of public relations. The Seminole have made campaign contributions to Florida state legislators and given bingo proceeds to Jerry Lewis' muscular dystrophy telethon. The Shakopee Sioux gave \$78,000 to blacktop a road in nearby Prior Lake, Minn.

But the Shakopee chairman, Leonard Prescott, is one of many tribal officials under pressure to use gambling revenues -- first and foremost -- to take care of public relations at home.

Prescott faces tumultuous reservation politics. After disputes with a rival faction escalated into fighting at one meeting, he hired 20 off-duty policemen to keep peace.

So while the Shakopees have put in new sewers and homes, Prescott uses 65% of the gambling profits to keep constituents happy. Some families receive \$80,000 a year.

Most Indian leaders agree that such "per cap" payments are not ideal use of the money because the community may be left with few permanent improvements.

"Politically, it's a real temptation," said Jana McKeag, an Oklahoma Cherokee recently appointed to the Indian Gaming Commission. "But it's short-term."

At Sycuan, Sandoval felt secure enough to take the long-term view.

Only 30% of the tribe's revenue is "per capped," adults in the 96-member tribe getting \$6,000 a year. Another 25% goes into trust funds and insurance -- full health and \$250,000 life policies for everyone. The rest is used for reservation projects.

The houses were a startling contrast to the boxlike government homes seen at most reservations. "We wanted something better," said tribal Vice Chairman Han Murphy, who got a 2,600-square-foot home with a "million-dollar view."

Now Sycuan is one of the few tribes -- "the real smart ones," noted gambling expert I. Nelson Rose -- using gambling to rise above it. It's looking to invest profits in businesses that, unlike gambling, won't be subject to whims of courts or state legislatures, and that won't attract the shady outsiders drawn to casinos.

On the drawing board is an all-suite hotel to capitalize not only on gamblers, but golfers using Singing Hills Country Club up the road. Also planned is a \$7-million senior citizens housing project, whose 283 units will be rented mostly to non-Indians, Trant said.

1991 Los Angeles Times, October 8, 1991

There's talk as well of a vineyard to produce wine -- with the Sycuan label of course.

In Florida, the Seminoles already have invested in land, an orchard and a hotel.

In Indio, the tiny Cabazon band is partner in a \$150-million plant to produce power from agricultural waste and has plans for a 1,300-home real estate tract.

Cabazon, which had to survive organized crime infiltration in the early 1980s and still suffers from fierce internal feuds, has not made Sycuan's gambling profits and only months ago paved its first road. But the new projects, joint ventures with outside investors, would be impossible if the tribe had not managed to keep its bingo and card room going, according to Mark Nichols, Cabazon's non-Indian chief executive officer.

"We had to be established as a fighting entity," Nichols said. "Without gambling revenue, (the Indians) would not be dealing from a position of respect."

Cabazon has big plans for its gambling facilities, too. It hopes to expand 55,000 square feet, one of several tribes looking to challenge the king-of-the-hill status held by the Sycuan facility unveiled last November.

"Sycuan is the model," said the manager of another nearby Indian gambling hall. Agreed George Forman, a former government attorney who works with many tribes: "It's what Indian gaming should be."

But just two weeks after the grand opening, events took a turn for Sycuan's matriarch.

Last Dec. 10, Sandoval's reign as chairman ended in a shocking election upset. Dan Tucker, then vice-chairman, beat her by three votes.

Tucker declared his win a mandate for "more working together."

"Anna," he noted, "did a lot of stuff on her own."

He is of a new, more assimilated generation. Just 39, he rose from box boy to become manager of a Ralphs supermarket. Whereas Sandoval likes to travel to traditional Indian pow-wows, his hobbies are playing golf and attending football games.

While Tucker pledged to turn the old church into a museum to "our heritage, no one mistook him for anything other than a modern-day managerial sort.

Another of his projects? He'd like the Sycuan Band of Mission Indians to sponsor a golf tournament at Singing Hills Country Club.

Anna Sandoval knew she'd alienated some tribe members by running things "with an iron hand." But she couldn't hide the hurt.

"I don't know if they appreciated what I did," she said. "No one has ever come to me and said 'Thank you, Anna.'"

1991 Los Angeles Times, October 8, 1991

She retreated to her new home. Dubbed the "house on the hill," it was the talk of reservations hundreds of miles away, with its imposing, tower-like form -- a kiva, actually, a round room for meditation or prayer.

She hardly left office empty-handed: The rent for use of her land and pens from her chairman's job total well over \$100,000 a year, according to tribal officials. Outside the land-rich Agua Caliente in Palm Springs, she may be the wealthiest Indian in California.

But the onetime welfare mother wondered whether it all was worth it.

While her new microwave worked fine, she sometimes found herself thinking, "Boy, it would be nice to have a wood stove."

She thought back to the old days, when Sycuan survived on fried bread and acorn mush. While it was hard to be an Indian then, you felt free on the "res." There wasn't all this materialism. All this commotion.

She wasn't about to give up the money, of course, nor the house, nor the Cadillac. But a thought came to her: "You have to give up something to get something."

Indian Gambling in California

Two dozen of California's 96 reservations and tiny rancherias have experimented with gambling, producing several showplaces of industry -- and so of its worst scandals, including two unsolved murders.

1) BARONA RANCHERIA, San Diego (County): Bingo manager Stewart Siegel was caught fixing games in 1986, then admitted being a front for organized crime. The current management firm is headed by Emmett F. Munley, who twice failed to get a license from the Nevada Gaming Control Board.

2) BISHOP RANCHERIA, Inyo: Bingo is played twice a week in a 125-seat hall. "It's just nip and tuck," a tribal official said.

3) CABAZON RESERVATION, Riverside: A poker room was managed in 1980 by reputed organized crime figure Rocco Zangari. In May 1981, tribe vice president Fred Alvarez began complaining that "money was being skimmed," according to the state attorney general's office. Soon after, Alvarez and two friends were shot dead -- a crime never solved. Fired by the tribe that November, Zangari accused Cabazon's non-Indian administrator, John Nichols, of obtaining "fictitious salaries" from gambling. In 1985, Nichols was sentenced to four years in prison for trying to hire an undercover policeman to serve as a hit man in an unrelated incident. Cabazon now offers card, bingo, off-track betting and "pull-tab machines." Tribal officials insist Alvarez' murder was unrelated to gambling.

4) CHICKEN RANCH, Tuolumne: In 1984, Mi-Wok activist Karl Mathiesen re-established a tiny rancheria so an outside firm could open a bingo hall. While he soon had a gold-grille Cadillac, he complained that the Indians were not given fair profits. On Nov. 15, 1987, an arson fire swept through the shack where he lived, incinerating him. There were no arrests, or proof the crime was tied to gambling. But "someone wanted him very, very dead," said Deputy Atty. Gen. Rudolf Corona Jr.

1991 Los Angeles Times, October 8, 1991

5) COLUSA RANCHERIA, Colusa: A 1,200-seat bingo hall has funded construction of four homes. The tribe runs the business itself, rather than rely on outsiders, because "we know the way the world is," an official said.

6) FORT YUMA RESERVATION, Imperial: "Snowbird" tourists who fill area trails parks in winter generate \$500,000 in yearly bingo profits for 2,200 Quechan Indians.

7) HOOPA VALLEY RESERVATION, Humboldt: A 600-seat bingo hall has "never turned a profit," a tribal official said.

8) JACKSON RANCHERIA, Amador: Reputed Florida crime figure James L. Williams managed bingo in 1985 after contracting to pay \$300,000 to a local man who financed the hall. "I was very dumb," the businessman said, complaining in Amador Superior Court that Williams paid him nothing, skimmed profits, then left. The hall reopened this summer.

9) LONE PINE RANCHERIA, Inyo: Elders play bingo once a month. The "crowd?" About 25 elders.

10) MORONGO RESERVATION, Riverside: The tribe in 1984 sued an outsider for running unauthorized bingo on one member's land. Testimony disclosed that two reputed crime figures -- Zangari and Tommy Marson -- sometimes hung out at his hall. The tribe now offers bingo, off-track betting and gambling machines. In 1989, a local grandmother won \$500,000 here playing MegaBingo, a televised game beamed to reservations.

11) PIT RIVER TRIBE, Shasta: Weekly bingo with \$30 prizes in a 74-seat room. "It's just for fun," a tribe member noted.

12) RESIGHINI RANCHERIA, Del Norte: A failed bingo hall is used as a lunchroom by elders.

13) RINCON RESERVATION, San Diego: FBI wiretaps detailed the Chicago mob's plot to take over the bingo hall, now closed.

14) ROBINSON RANCHERIA, Lake: On-and-off bingo has prompted lawsuits among investors and the tribe. The FBI seized slot-type gambling machines in February.

15) RUMSEY RANCHERIA, Yolo: Bingo liberated the Indians here from grueling farm labor. But a former tribal secretary is awaiting trial on tax charges for allegedly fleeing to Nevada with a Rolls Royce and \$400,000 in proceeds.

16) SAN MANUEL RESERVATION, San Bernardino: A 15-family tribe went to court to oust its first management firm, then established the most profitable bingo hall in the nation, seating 2,600 players. Tribe members have new homes and a scholarship fund rewards children for good grades from kindergarten through college.

17) SANTA ROSA RANCHERIA, Kings: Bingo has financed a recreation center, pay tribal bills and provides small "per cap" payments to 400 tribe members: adults get \$27 and kids \$18 per month.

18) SANTA YNEZ RESERVATION, Santa Barbara: Even the backing of singer Wayne Newton could not overcome a remote location. A 1,800-seat bingo hall now is

1991 Los Angeles Times, October 8, 1991

closed.

19) SOBOBA RESERVATION, Riverside: Bingo is closed -- for the fifth time. O management firm was found to have embezzled \$252,000. Another included a fugitive from the French Connection heroin case. "I think a lot of the tribes rely too much on bingo," Chairman Robert Salgado said.

20) SYCUAN RESERVATION, San Diego: "Sycuan is the model," a rival says matter-of-factly. The showplace of Indian gambling.

21) TABLE MOUNTAIN, Fresno: A tribal chairman was recalled "because we couldn't get (bingo) money . . . to divide," the leader's brother noted. Now adult tribe members get \$200 monthly from televised MegaBingo games.

22) TRINIDAD, Humbolt: A 600-seat bingo hall financed a new roof for the tribal building.

23) TWENTY-NINE PALMS RESERVATION, San Bernardino: Wiretaps in 1987 overhea mobster Chris Petti discussing a possible hotel-casino here, but the deal neve materialized. The tribe now has a request for a gambling "compact" pending before the state.

24) VIEJAS RANCHERIA, San Diego: A casino will open soon. "They were hoping for something better than (gambling)," a tribal adviser said, but "there were not business opportunities other than that."

GRAPHIC: Photo, Anna Sandoval in her hillside home built from gambling profits ; Photo, Entrance of Sycuan reservation's gambling hall rivals Las Vegas. ; Photo, Gamble Pays Off: An Indian tribe in eastern San Diego County hit the jackpot with its gambling operation. Led by Anna Sandoval, above in front of h adobe home, the Indians took back the business from outsiders and transformed their lives. Part three of a five-part series. BARBARA MARTIN / Los Angeles Times; Photo, Emmett Munley ; Photo, Karl Mathiesen ; Photo, James Williams ; Photo, Wayne Newton ; Photo, Robert Salgado ; Map, California, JUAN THOMASSIE Los Angeles Times

TYPE: Series; Infobox; List

SUBJECT: AMERICAN INDIANS -- SAN DIEGO COUNTY; GAMBLING -- SAN DIEGO COUNTY; BINGO; INDIAN RESERVATIONS; GAMBLING -- CALIFORNIA; AMERICAN INDIANS -- CALIFORNIA

15TH STORY of Level 1 printed in FULL format.

Copyright 1991 The Times Mirror Company
Los Angeles Times

October 7, 1991, Monday, Home Edition

SECTION: Part A; Page 1; Column 1; Metro Desk

LENGTH: 4716 words

HEADLINE: HOW THE MAFIA TARGETED TRIBE'S GAMBLING BUSINESS;
CRIME: THE MOB DROPPED BID TO INFILTRATE GAMES NEAR SAN DIEGO, BUT WIRETAPS
SUGGEST TIES TO OTHER RESERVATIONS.

SERIES: THE INDIAN'S GAMBLE: Tribal Economies Are Banking on a Billion-Dollar
Gambling Industry. Second in a five-part series. Next: Prosperity comes to the
rocky wasteland where the government a century ago dumped a handful of Indians.

BYLINE: By PAUL LIEBERMAN, TIMES STAFF WRITER

BODY:

Chris Petti got the good news three days before Christmas, 1987: His move to take over gambling on the Rincon Reservation had been approved at the very top of the Chicago Mafia.

"They wanna go with that thing," Mike Caracci told him. "They wanna get a foothold down where you're at."

The call followed a familiar pattern. Caracci rang Petti's San Diego home and gave him a number. Petti hurried across the street, to a pay phone outside a 7-Eleven, and dialed it.

Moments later, Caracci was telling him from Chicago how the acting boss there, Sam Carlisi, had given the crucial OK. "He said, '(Expletive) it, let's go, do it, do it.'"

Petti, the crime family's top contact in Southern California, had been working toward this moment for a year. He had nurtured a tribe member to grease the wheels on the reservation. He had found a front man whose name could be sent to the Bureau of Indian Affairs. And he had endured the frustrations of dealing with the Indians, their changing demands, family squabbles and the suspicious questions of one stubborn woman on the Rincon Tribal Council.

But now that Chicago was on board, he figured on making a fortune with bingo, cards and off-track betting on the remote reservation in Northern San Diego County.

Only one thing could mess up the deal, Caracci cautioned him.

"The O.C. label," Petti replied.

"You gotta really be careful," Caracci said.

FBI organized crime agents logged the call at 8:33 a.m. They had been eavesdropping on Petti for six months.

1991 Los Angeles Times, October 7, 1991

A veteran of the cops-and-robbers game, he thought he was safe doing business from 27 pay phones around San Diego. He hadn't counted on a new federal "roving wiretap" law that empowered agents to monitor a series of phones used by a suspect.

Thousands of pages of wiretap reports would document the Chicago mob's move to infiltrate the Rincon Reservation, show collaboration with mob families across the country and suggest organized crime ties to other reservations as well.

To this day, government officials and Indian leaders generally belittle the threat posed by organized crime to the gambling that has become the \$1-billion centerpiece of tribal economies. They dismiss warnings of mob interest as paranoia or the rantings of people trying to infringe on Indian profits.

But those officials probably never heard of the Rincon wiretaps -- there was no prosecution to bring them to light. After two years of plotting, the Chicago crime family lost interest in the reservation. The FBI, in turn, shifted its efforts to Petti's involvement in a juicy money-laundering case.

Lost in the shuffle were wiretaps that are a primer in how the mob can get a foot in the door of gambling halls, and how it counts on skimming and law oversight to cheat tribes out of revenue sorely needed by some of the poorest people in America.

As Chris Petti put it to his main Indian contact: "Let's grab some money, pal."

The promise of gambling had been hard to resist for Indians throughout California.

They had no vast ancestral lands with natural resources such as timber or minerals. Displaced by Spanish missions, miners and other white settlers, they wound up on 96 small reservations or postage-stamp "rancherias" in the desert or mountains. "Pushed into the rocks," an anthropologist termed it.

Rincon was one of the more scenic, set in a valley surrounded by brush-covered hills. Only a third of its 3,975 acres was flat, however, and the land could barely support light farming, grazing and orchards.

By the mid-1980s, unemployment stood at 60% among the 300 Luiseno Indians. To make ends meet, many rented makeshift housing to migrant workers, setting down shacks, garages and camper shells on the dusty landscape, often without plumbing.

Tribal leaders didn't waste time when court decisions gave them competitive advantages first in bingo, then other games. After inviting proposals by outside investors, they picked Charles Schlegel, an Orange County businessman with a theatrical flair.

He built a 23,000-square-foot, Spanish-style hall, distributed buttons promoting the place and hired dozens of tribe members. Then he sat in a crow's nest watching the festivities, smoking a cigar.

1991 Los Angeles Times, October 7, 1991

Old-timers such as Max Mazzetti were thrilled to help tally the handle when the games began in 1984. "I remember one night we were counting, \$154,000 the one night!" the 70-year-old Mazzetti recalled. "It was really something for Rincon!"

There was one problem. The tribe saw no profits.

Schlegel, who is now dead, was supposed to share any profits -- but said there were none. Though he had taken in \$10 million, it was impossible to finish in the black, he said, while offering the jackpots needed to compete with other Indian bingo halls opening around the state -- one at the Barona Reservation, just to the south.

He closed Rincon's hall in June, 1985. A second manager was hired, but also reported no profits. Before he left as well, he added a new attraction in late 1986, a card room with 30 poker tables.

That December, the room was raided by San Diego County sheriff's deputies, who said it was offering illegal Chinese variations of poker. To tribe members, it seemed like another example of prejudice against them. "They're trying to give the Indians a hard time," the poker manager declared.

Chris Petti was a frequent visitor to the poker parlor. In fact, a friend who went with him said he "acted like he was in charge," according an affidavit filed in federal court in San Diego by FBI agents seeking a wiretap.

The FBI had been interested in Petti, now 64, for years. Originally from Illinois, he had surfaced in San Diego as bodyguard and chauffeur for the amiable elder statesman of California mobsters, Frank Bompensiero.

When "The Bomp" was gunned down in 1977, Petti stepped in to fill his shoes. He soon had his own live-in chauffeur.

A trim man with blow-dried gray hair, he was a neat dresser -- matching his tie and breast handkerchief -- and a follower of routines. He would have lunch on Hotel Circle north of downtown, then spend the afternoon at the Stardust Hotel & Country Club, whose steam room served as his unofficial office.

Evaluations of Petti's stature in the Mafia are a reminder that such intelligence is an imprecise art. One survey listed him the 48th most affluent mobster in the country, but Petti lamented in wiretaps, "I'm in bad shape," and some downplayed him as a "hanger-on," a man of Greek extraction (given name Chris Poulos) trying to impress the traditionally Italian crime families.

He had convictions in San Diego for bookmaking and for using a baseball bat in 1979 to assault a man who complained about a noisy party. Quoted as saying he wanted to help the man "get some sleep," Petti was fined \$1,000.

The chance to get a handle on Petti's activities fell into the FBI's lap in August, 1986, when a friend named Robert Benjamin, a career criminal facing a bank fraud charge, agreed to work under cover for agents.

Petti was dealing directly with the boys in Chicago, Benjamin reported. Their immediate chore was taking over accounts of recently murdered Tony (The Ant) Spilotro, who collected a "street tax" from bookmakers throughout Nevada

1991 Los Angeles Times, October 7, 1991

and Southern California. But Petti's real passion was "the Rincon Indian Reservation," according to the affidavit.

The key to it, Benjamin said, was Petti's close relationship with tribe member Glenn Calac, whose father was on the Rincon council.

The security chief at the card room, Calac was hard to miss. A shade over six feet tall, he weighed close to 300 pounds and drove a new white Cadillac. Calac, who had what federal prosecutors called an "extensive criminal record," including a felony burglary conviction, exerted influence through "muscle" and payoffs, Benjamin said.

When he questioned Petti's interest in a venture that seemingly lost money, Benjamin said, he was told that, in gambling, all is not what it seems. He said he overheard Petti say that in the card room, for instance, Calac already was "swallowing" profits, not reporting revenues to the tribal council.

This wasn't like Nevada, where the Gaming Control Board audited your books and paid surprise visits to your counting room. You only had to show the Indians a profit-and-loss column at the end of the month, Petti said.

A lot of money listed as a loss really wasn't. It "sticks to your fingers," he said.

There is long precedent for denial when it comes to organized crime in America.

No less than J. Edgar Hoover refused to believe there was a Mafia until 1957, when its leaders were caught meeting in Upstate New York. In Las Vegas, never mind that Bugsy Siegel opened one of the first casinos and investigations found mob links to 10 others. "Many Nevadans," recalled former federal prosecutor C. Stanley Hunteerton, kissed it off as "a federal vendetta against their state."

Warnings of "O.C." interest in Indian games similarly have been met by skepticism.

"In 15 years of gaming activity on Indian reservations there has never been one clearly proven case of organized criminal activity," Sen. John McCain (R-Arizona) said upon the 1988 introduction of legislation to create a National Indian Gaming Commission.

The threat was dismissed with comic flair last year at a Las Vegas meeting of tribal leaders and Tony Hope -- a lawyer and the son of entertainer Bob Hope -- who was named by President Bush to head the commission.

When an Apache official complained that Arizona's attorney general saw the Mafia behind every cactus, Hope offered a story to reassure the Indians that he understood the ludicrousness of such a notion:

"I have this image in my own mind when they talk about Mafia infiltration. On the outskirts of Las Vegas, at six in the morning. A black Lincoln. Six people come out of a house in black suits, black hats with a bunch of guns, open the trunk of the Lincoln and speed out across the desert 300 miles to put the muscle on" -- now the punch line -- "30,000 heavily armed Indians."

1991 Los Angeles Times, October 7, 1991

The crowd burst into laughter.

Chris Petti's car was a Lincoln. On March 21, 1987, his driver eased it up to the east terminal at San Diego's Lindbergh Field to meet two men from Chicago: Michael C. Caracci, 53, and Donald (The Wizard of Odds) Angelini, 65, described by the FBI as overseer of the Chicago mob's gambling interests.

On the way to Rincon, they met Calac at a bakery in Escondido. An agent overheard snippets of talk: "Chips, everything all ready." "Not an unreasonable contract."

The men returned the next month. Over dinner, Benjamin reported, the white-haired Angelini announced that the operation was going to be run "our way."

Traveling under the name "Brooks," Angelini was a detail man. He noted that the bingo hall was 41 miles from Hotel Circle, that it needed stucco and had cracks in the parking lot. He weighed the pros and cons like a classic middle manager, which he was, as a mob "capo," just below the very top leadership.

Caracci, Angelini's brother-in-law, was a step lower on the totem pole, assigned to "reassert the influence of the Chicago syndicate on the West Coast," federal authorities said.

Three months later, Angelini flew back to California. Agents reported a meeting in Los Angeles with the businessman Petti proposed as a "front," Sam Kaplan, a feather supplier who since has died.

Kaplan has been around "people," Petti said, but had a clean record, having even passed screening by the state attorney general's office when his name was submitted with a card room proposal for Imperial Beach.

Now his name would go atop the prospectus submitted to Rincon.

Ten other groups wanted to run the gambling there after departure of the last manager, including a pair of former police officers. But when Petti returned from the Los Angeles meeting July 12, his phone rang with an optimistic message.

"Everything is going forward," Calac told him.

U.S. District Judge Gordon Thompson Jr. had approved the "roving" wiretap three days earlier. All told, agents would intercept 6,033 calls.

They recorded Petti and Calac discussing several reservation deals around California. One gambling promoter was impressed with Petti, Calac said, and "won't make a move without first going through you." Another time, Calac lamented that a veteran bingo manager -- who has worked throughout the state -- preferred "to go through" two reputed Palm Springs-area organized crime figures.

The Rincon plot solidified in the fall of 1987, when California approved off-track wagering on horse races. Under court rulings, reservations could offer it too. By Nov. 11, in a call to Chicago, Petti envisioned almost a full casino, with horse betting added to the cards and bingo.

1991 Los Angeles Times, October 7, 1991

Caracci: "Gee, that's a big winner, don't you think?"

Petti: "You'll handle two or three hundred thousand a (expletive) day."

Caracci: "I just want to make sure we get it, if anybody's gonna get it."

Their proposal guaranteed the Indians \$30,000 per month, plus 51% of any profits -- although "they'll never see" that part, Calac noted in a call to Petti. The tribe would have to agree, he said, because "money talks."

But Petti and Calac underestimated the difficulty of getting anything through Rincon's fierce clan politics. Chicago soon was asking: Why are these "(expletive) morons" taking so long?

As Calac explained it, his fellow Indians always argue, "go around in circles." He said he finally told them: "We're going to sit down and you're either gonna (expletive) do it, or I'm walking away. You guys aren't gonna have (expletive) and we're gonna go to the Palm Springs Indians."

He was particularly frustrated Dec. 9, when the Tribal Council held a hearing on gambling proposals. A San Diego attorney delivered a \$1,000 fee to accompany the application bearing Kaplan's name.

That night, Calac phoned Petti to report they "almost had it." But a woman on the council kept asking about Glenn Calac's tie to the project. She also ranted on about Kaplan not being there in person.

"How do we know this man really exists?" she asked. "He could be some name you took off a tombstone."

Petti wants to know: Who's making all the trouble?

It was Glenn's cousin, Ruth Calac. She was very suspicious.

Ruth was not morally opposed to gambling, but was appalled by the promoters who approached the tribe. One offered a stereo system as a "gratuity." Another promised "under the table" payments. A third asked if he could set up private rooms for "hostesses."

She heard stories from other California reservations as well, including how tribal leaders at two of them had been murdered after complaining that Indians weren't getting a fair share of gambling profits. And down at Barona, a bingo manager named Stewart Siegel had just been caught rigging games, planting "shills" in the audience to play prearranged winning numbers.

So when Glenn surfaced in Rincon's card room -- she'd known him for years -- Ruth began "raising hallelujah."

But he had followers, particularly among three clans of Calacs.

"He's just Glenn . . . he wheels and deals," shrugged another cousin, Doug Calac. "He talks smart. . . . He's collected from insurance companies for people who have got hurt in auto accidents."

1991 Los Angeles Times, October 7, 1991

Doug and others listened when Glenn told them "I have people" with resources to make the gambling work. With Ruth scheduled to come up for reelection, many Calaca joined the campaign to defeat her.

Petti commiserated with Glenn. Other Indians should appreciate him, Petti said. Wasn't he bringing the best bid? And he never took money from the tribe -- he only took from the "other side."

* Dec. 17: In Chicago, Caracci is nervous. He and Angelini are going to see "Wings" Carlisi, the acting crime boss there, for the "final say."

He's not sure how to advise Carlisi on off-track betting. What if they're raided?

Petti: "If they pinch you, you put a restraining order against 'em."

Caracci agrees. They could hire some hotshot lawyer to raise civil rights claims on behalf of the Indians. Someone like Alan Dershowitz from Harvard. Of course, "these lawyers fees, they kill you."

* Dec. 20: In the movies, such meetings take place at round tables over bowls of pasta. In real life, it was breakfast at McDonald's.

At 9:30 a.m., agents from the Chicago office of the FBI watched Angelini and Caracci arrive at the fast food restaurant on Lake Street in Addison, Ill.

Soon after came the chauffeured car of Sam Carlisi.

They met for an hour, then left.

* Dec. 22: 8:32 a.m. Caracci calls Petti and asks if he needs to talk. It's their signal. Petti makes his way to the 7-Eleven and calls a Chicago pay phone, at a car auction business. Caracci fills him in:

The boss hadn't even looked at the contract. "Do it," he said. Just like that, approved a \$500,000 investment. Now they have to find ways to get the skim back to Chicago, "filter the money." Caracci can't emphasize enough the need for precaution.

"You gotta be in the background, cause you know they're gonna hook you right up back through here. . . . Then that's gonna be the (expletive) end of it."

Petti: "I don't discuss nothing with nobody."

* Jan. 16, 1988: Caracci says Angelini has selected a Florida man to run the hall.

"This guy is supposed to be a helluva (expletive) promoter . . . and he's with the (bleeping) Indians already, he's got his name down there ah, the Bureau (BIA), in Wisconsin, he's got one of these joints."

They'll have to consult the New York mob, however, because the guy is "with New York."

1991 Los Angeles Times, October 7, 1991

* Jan. 19: Petti notes that any contract with the tribe will have to go through the BIA.

Caracci: "That's just a stamp, isn't it?"

Several years ago, amid the rapid growth in Indian gambling, BIA officials asked the FBI to conduct background checks on proposed financiers and managers.

"There seems to be some evidence (contracts) don't name the real investors," said Tom Dowell, former superintendent of the BIA's Southern California office.

Although the checks occasionally found a felony conviction -- the one ground to disqualify an investor -- they did not leave Dowell with much confidence.

"You'd have to have a hell of a background to get noticed," he said. "The guy who stops you on the highway does a better check."

"They came close," tribal elder Massetti said later of Petti and his friends. "We were lucky."

Indeed, news from the "res" seemed upbeat for the Chicago crowd. "The elections came out pretty good," Calac gleefully told Petti one night.

Petti: "The elections?"

Calac: "Ruth lost, her big fat ass is out. So you guys are gonna get it."

Later, he confirmed it: "Everything's a go," the tribe had voted.

Then the folks at Rincon started squabbling again. Someone wondered if they could get a better deal by splitting the gambling in two. Maybe get \$25,000 a month for the cards alone, extra for bingo.

Petti blew up when Calac told him. He wasn't going back to Chicago and make a fool of himself.

* March 2: Angelini is having second thoughts. "He's hamming and hawing," Caracci tells Petti.

It's not merely the unpredictable Indians. He's wary of the Florida bingo manager, who's an egomaniac and spread thin already. And he doesn't like the performance of another "joint" they have, a non-Indian bingo hall outside Baltimore.

With Rincon, he has the middle manager's worry -- that he'll look bad to his bosses. "He don't want to go to these people and get that kind of money," Caracci explains, "and then come up short."

* March 17: The Chicago boys are backing out. Angelini simply isn't comfortable investing the organization's cash at Rincon.

"It's a shame," Caracci consoles Petti. ". . . You got the (expletive) door open."

1991 Los Angeles Times, October 7, 1991

Of course, if Petti can put together a deal with other investors, Chicago will take a piece of the profits.

Petti isn't fazed. It so happens, he knows a guy who might be interested.

Benjamin had been telling him about a New Jersey man who laundered funds for Colombian drug lords.

It was a cover story to introduce an undercover FBI agent. Petti had never taken the bait before. Now he did.

On April 8, he met "Pete Carmassi" -- actually Agent Peter Ahearn -- and they drove to Rincon for a tour. Glenn Calac said he would need \$15,000 to "lock in" the council, the agent reported later.

This time, they would put Calac's name atop the prospectus. If anyone wondered how he got money to open a gambling hall, he could say it was inheritance from a "Cousin Red Cloud."

But it was a doomed plan. The tribe's attorney reminded Calac his name couldn't be used because of his criminal record. The FBI's interest was soon detoured.

The focus shifted the moment Petti told "Pete," the undercover agent, that he knew a prominent San Diego businessman who could help get money out of the country. It was no less than Richard T. Silberman, onetime chief of staff to Gov. Edmund G. Brown Jr.

In February, 1989, the Senate Select Committee on Indian Affairs held hearings on the "Federal Government's Relationship With American Indians." During a brief portion on gambling, three witnesses gave varying appraisals of the threat of organized crime.

FBI Deputy Assistant Director Anthony E. Daniels said there was mob involvement at the start of Indian bingo in Florida, but didn't see it as a "major problem" at the moment. Of course, penetrating "fronted businesses" was difficult, and "greater infiltration" was likely if tribes opened full casinos.

California Deputy Atty. Gen. Robert Morhouse said mob figures had been spotted on at least two reservations in his state: In 1980, Palm Springs-based Rocco Zangari opened a card room at the Cabazon Reservation. In 1985, James L. Williams of Florida took over bingo on the remote Jackson Rancheria in Amador County.

Then came a third, mystery witness. He said the officials underestimated organized crime.

Identified only as "Marty," he testified behind a screen, his voice distorted.

"Marty" said he had run an Indian bingo hall as a mob front. He had cheated a tribe out of \$600,000 a year, he said, but kept peace by paying the chief \$1,000 a week as a "consultant."

1991 Los Angeles Times, October 7, 1991

He claimed knowledge of 12 Indian halls around the country infiltrated by mob families. They skimmed money "through the purchase of supplies, which were nonexistent and overpriced," by padding payrolls and through fixed games -- weighting some balls in the bingo mixer, for instance, while lightening others with helium.

But his claims were brushed off by Indian leaders. He was an anonymous loudmouth, a guy with a bag over his head tarnishing them all with a broad brush.

Indeed, there was merely his word for all this at the time. Only much later would an associate of New York mob chief John Gotti be arrested for shipping slot machines to the St. Regis Mohawk Reservation. Only later would the Rincon wiretaps be filed away in a San Diego courthouse.

So few believed "Marty" or his explanation of why he was talking: "I got religion."

But that wasn't the whole story. After he'd been caught stealing, he came down with cancer. Soon after his testimony, he died.

"Marty" was Stewart Siegel, former manager of Barona Indian Bingo, 45 minutes south of Rincon.

Two months after the Senate hearing, Chris Petti was under arrest. So was Richard Silberman. It was a splashy money-laundering case, with Petti eventually sentenced to 30 months in prison, the former politician to 46 months.

The indictment made no mention of Rincon. That plot had never been carried to conclusion, after all.

A month after their arrests, the bingo hall reopened.

The Rincon council finally awarded the contract to a group of businessmen from Los Angeles and Phoenix. Taking no chances this time, the tribe's chairman insisted on a security deposit of sorts: "\$120,000 up front, held by us."

It was a good move. The new managers quickly began fighting among themselves. When they couldn't open the hall the fourth day, the tribe padlocked the doors -- and kept the \$120,000. Six years after the bingo began, it's the only money Rincon has gotten from gambling.

The red, white and blue Rincon Indian Bingo sign still stands along County Route 6, the space to list the daily jackpot vacant. Grass grows through the parking lot. Cows occasionally wander onto the road.

For the Indians, it's little consolation that gambling halls sit vacant on other California reservations. They are aware, as well, of how a few have flourished. Not far away, Syouan has new housing, an ambulance service and more.

Alternative development proposals are not attractive. Three San Diego area tribes have weighed offers to put dumps on their land.

So Rincon is considering new gambling proposals. "Can you believe it?" asked Ruth Calac.

1991 Los Angeles Times, October 7, 1991

But you can. On a quiet afternoon, waiting for a rain cloud to roll over Mt. Palomar, it's hard to imagine that a Mafia family 2,000 miles away ever was interested in this neglected turf. Many on the "res" still don't think it happened, including Ruth's own mother.

"That's just a lot of rumors and baloney," she said.

"I have a friend who's organized crime, sure," Glenn Calac said during a brief encounter with a reporter, brushing aside all questions. "Chris Petti. He's a good friend. He's also very poor. I'm poor. The band's poor."

Calac has not been seen around Rincon much lately, tribe officials say.

He's up at the tiny Twentynine Palms Reservation in San Bernardino County. Serving as its business manager, in fact.

Currently pending before California officials is a request from Twentynine Palms for a tribal-state "compact" under terms of the new Indian Gaming Regulatory Act. It would allow off-track betting on the reservation in the desert west of Palm Springs.

Chicago Mob's Role: The Key Players

The Chicago organized crime family acted much like any large business organization as it moved to infiltrate gambling on the Rincon Reservation: A proposal was packaged for a decision by the top boss, then carried out by middle managers. Here were the four key players, according to FBI wiretaps:
 * CHRIS PETTI: He was the crime family's contact in Southern California. Looking to "grab some money," he proposed taking over the Indian gambling operation north of San Diego using a "front man."

"I guarantee you, you'll handle two or three hundred thousand a (expletive) day," he told Chicago higher-ups. It would be easy to skim profits, he said, because the Indians would have a minimal role: "No counting of the money, no nothing."

* MICHAEL C. CARACCI: He was Petti's contact in Chicago, and was assigned by the family's bosses to reassert their influence on the West Coast. Enthusiastic about the Rincon venture, he told Petti, "I just want to make sure we get it, if anybody's gonna get it. I wanna get it first."

Later, frustrated by the Indians' squabbling and changing demands, he said, "It's a shame . . . They got an opportunity here to finally get some money out of the (bingo hall) . . . and they end up (expletive) around." Petti's response: "You need to stay on these (expletive) Indians a little more."

* SAN CARLISI: He was acting mob boss in Chicago, and he endorsed the Rincon project. A burly, decisive man, he approved a \$500,000 investment without even reviewing the gambling contract submitted to the Indians.

"He didn't even bat an eye that guy, you know," Caracci later told Petti. "He said '(expletive) it let's go, do it, do it. . . . Don't even tell me about it. . . . What the (expletive) do I know about a contract?'" "

1991 Los Angeles Times, October 7, 1991

The \$500,000 is "like piddling cents to these guys, you know," Caracci noted.

* DONALD ANGELINI: A mob lieutenant and the crime family's gambling expert -- and also Caracci's brother-in-law -- he was assigned to oversee the venture. He vowed to Petti: The operation is going to be run "our way."

Later, however, he had second thoughts about risking the top bosses' money and pulled out. As Caracci explained it: "All these (expletive) years he has always used his own BR (bankroll) and when you use your own BR, if you blow it, (it) doesn't mean anything, you understand? You take the loss. But he don't want to go into these guys and . . . blow (their money). . . . He's afraid, he doesn't know what the (expletive) they're gonna do."

GRAPHIC: Photo, Sign advertises gambling at Rincon Reservation, but operation has long been out of business. ; Photo, Ruth Calac, left, resisted mob takeover at Rincon. DON BOOMER / Los Angeles Times Associated Press; Photo, The late Stewart Siegel admitting stealing as bingo manager for Barona Reservation. Associated Press; Photo, Chairs on tables of closed Rincon bingo hall in 1986 photo. DON BARTLETT / Los Angeles Times; Photo, CHRIS PETTI ; Photo, MICHAEL C. CARACCI ; Photo, SAM CARLISI ; Photo, DONALD ANGELINI ; Map, Rincon Reservation, Los Angeles Times

TYPE: Series; Infobox

SUBJECT: PETTI, CHRIS; CARACCI, MICHAEL C; CARLISI, SAM; ANGELINI, DONALD (THE WIZARD OF ODDS); RINCON INDIAN RESERVATION; MAFIA; AMERICAN INDIANS -- SAN DIEGO COUNTY; GAMBLING -- SAN DIEGO COUNTY; ORGANIZED CRIME -- SAN DIEGO COUNTY

San Francisco Chronicle

THE LARGEST DAILY CIRCULATION IN NORTHERN CALIFORNIA

199 ★ ★ ★ ★ ★

THURSDAY, SEPTEMBER 5, 1991



415

Mystery Man Who Transformed a Tribe

Charmer with gift for winning grants brought gambling, jobs to reservation

By Jonathan Littman
Chronicle Staff Writer

Indio, Riverside County

The phenomenal growth of the 30-member Cabazon Indian reservation into a sprawling gambling enterprise and international business center can all be traced to the non-Indian administrator who ran the reservation in the early 1980s, John Philip Nichols.

To many members of the tribe, Nichols was a charming, cherubic man with a 19th century waxed mustache and goatee who wore open-collared silk shirts, dropped big names and told tales of faraway places.

But others say there was another dimension to Nichols, a dark side that brokered secret weapons deals, associated with intelli-

SPECIAL REPORT

SECOND OF THREE PARTS

gence agents and even led to a conviction for murder solicitation.

"He was a very mysterious man, Nichols," said former tribal chairman Joe Benitez. "He was close to (former South Dakota Democrat) Senator (James) Abourezk. There were people he knew in Washington, D.C., people he knew in the CIA, people he knew in the Justice Department."

As questions about the tribe's activities persist, many Cabazons and others familiar with the reservation are asking the same thing: Who is this national architect of Indian

gambling, this friend of U.S. senators, foreign officials and the military?

Of more than 100 people interviewed for this story, no one seemed to know the full answer to that question. Some say Nichols told so many outrageous stories about his exploits that it was impossible to tell truth from fiction.

In fact, the very title Nichols goes by — "doctor" — has been challenged. When an investigator checked his background in 1978 after complaints arose at other reservations, Archbishop Benjamin C. Exchard of the Philadelphia Theological Seminary of the Free Protestant Episcopal Church in London, Ont., wrote that Nichols' claim to a theological doctorate was false.

One thing, however, is certain: The Cab-

Page A6 Col. 1

Mystery Man Who Transformed an Indian Tribe

From Page 1

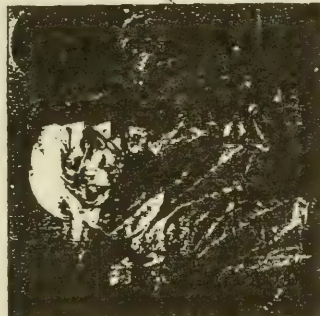
But it was Nichols' experience in social work and his religious beliefs that made him the right man for the job. He was a member of the Southern Baptist Church, a denomination known for its conservative views on race and religion. Nichols was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans.

Nichols had the power and authority to acquire a large and affluent tribe, the Northern Cheyenne, and to transform it into a modern, industrialized society. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans.

Part of Nichols' mystery and power was the involvement of the Indian Health Service. Nichols was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans.

Moreover, police reports show that Nichols had been in the area of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans.

His experience in health maintenance and his religious beliefs made him the right man for the job. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans.



John Philip Nichols appeared for his assignment in 1965

John Philip Nichols appeared for his assignment in 1965. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

Not long after, he began making great money to start health centers for the Northern Cheyenne. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

By the mid-1970s, Nichols had built a large and powerful empire. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

Here say the Nichols family told news covered over the tribe for years. Nichols was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

At first, the skepticism, however, was not enough to stop Nichols. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

Even when the business did succeed, they did not try to take the profits from the enterprise. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

When he returns from getting the profits from the enterprise, Nichols was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

Nowadays, he is still making money. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

During the last large year, Nichols was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Native Americans. He was a member of the Indian Health Service, a federal agency that provides medical care to Northern Cheyenne.

TOMORROW

Continued people who question Nichols' role in the transformation of the Northern Cheyenne.

NORTHWEST AIRLINES

To: WHP
Ramapough

In This Issue: May to August

New Jersey Law Journal

VOL. CXXXV — No. 2 MONDAY, SEPTEMBER 13, 1993

135 N.J.L.J. 149

ESTABLISHED 1878

Copy: \$6.50

Was Mob Behind Tribe's Casino?

By Tim O'Brien

The man whom the Ramapough Mountain People of Bergen County once retained to help them gain federal recognition as a bona fide Indian tribe — and subsequently manage any gaming operations on their reservation — has long-standing ties to an associate of Mafia boss Anthony (Tumac) Accetturo.

Accetturo is the longtime head of the New Jersey faction of the Lucchese crime family who has been involved in bingo on Indian reservations, and elsewhere, for many years. On Aug. 13, he was convicted in Ocean County of racketeering, extortion, conspiracy and leading an organized-crime family, while an underling of his was convicted of murder.

The consultant who signed on with the reclusive Ramapough clan in 1985 is Robert Frank of Miami Lakes, Fla., who has been involved in bingo halls elsewhere since the 1970s, including one on an Indian reservation in which a civil court ruled he committed fraud.

Frank is a longtime associate of a major bingo operator, James L. Williams of Boca Raton, Fla., who is described by law-enforcement authorities as well as of other underworld figures, including the now-deceased Elmore Zappi, a capo in the Gambino crime family. Williams was convicted in a federal court in Florida in 1987 of tax evasion, specifically, of skimming almost \$330,000 from several Broward County bingo operations, including one operated by Indians. He served two years.

The issue of potential organized-crime influence has become a hot button in the high-stakes battle over the Ramapoughs' drive for recognition. Opponents, including casino owner Donald Trump and Bergen County's two representatives in the House, Republican Marge Roukema and Democrat Robert Torricelli, have raised the specter of organized crime, while backers of the Ramapoughs have blasted the tactic as unfounded and as fear-mongering.

The Ramapoughs' attorney, George Schneider of Fairfield's Lorber, Schneider, Nuzzi, Vichness & Bilinkas, as well as their chief, Ronald Van Dunk, says Frank's role ended two years ago, although both say he remains "a friend of the tribe." interested in helping not only in the push

CONTINUED ON Page 34

Was Mob Behind Tribe's Casino?

CONTINUED FROM PAGE ONE

for tribal recognition but in subsequent ventures.

Friend of the Tribe

Says Van Dunk: "We lost all ties with Bob Frank because he just ran out of energy. He left on good terms and he is a good friend. We expect to see him at our next powwow."

When told of Bob Frank's dealings with Williams, and that Williams is considered by federal prosecutors to be a longtime associate of Accorero, Van Dunk said, "I'm glad we found that out. Take my word for it. He has no involvement at all. None. Nothing at all. The BIA [Bureau of Indian Affairs] has to approve all business dealings and that would blow us out of the water."

Frank, 58, a former Elizabeth resident and one-time national advertising manager for *The Daily Journal* newspaper in Elizabeth, now defunct, confirms that his official role with the tribe ended in 1991. But he too says that he is hopeful that should the Ramapo tribe gain recognition, he'll be able to help with either gaming or economic development. "I'm very close to the tribe," says Frank, adding, "If they were going to do something in New Jersey, I'd like to come back home and help."

Frank, tribe attorney Schneider, chief Van Dunk and the tribe's Washington, D.C., lobbyist, Albert Costello, all describe Frank's current status as someone waiting in the wings should the clan receive tribal recognition.

Others, particularly law enforcement officials, characterize Frank as a front for Williams and Williams' Mafia associates. And Williams, say federal prosecutors, has been involved in bingo since he ran an Akron bingo hall in 1973 for Joseph Merio, described by authorities as an Ohio bingo king convicted in 1979 of conducting an illegal bingo operation, grand theft and gambling.

Frank's involvement with Williams goes back to 1978 when, according to court papers filed by the federal Miami Snake Force in 1987, Frank played a minor role in attempts by Williams and others to bring a Florida state senator to push through bingo legislation favorable to them.

Accorero as Bingo Man

Frank acknowledges dealing with Williams, but says he hasn't dealt with him since late 1985.

As for Accorero, who moved to South Florida in the 1970s to avoid testifying before the New Jersey State Commission on Investigation, Frank says, "I know Anthony. Years ago I met him. I grew up in Patersonburg [an Elizabeth neighborhood] and he use to come over to Elizabeth. His grandparents were friends with my grandparents, but I never had anything to do with him."

Accorero, according to federal authorities, became involved in running and supplying bingo operations on Indian reservations and elsewhere. According to a pre-arrest memorandum in Williams' tax case, Accorero held interests in at least two bingo halls owned by Williams in

South Florida in the early 1980s, as well as in another Williams-owned bingo operation in Alabama.

A 1979 *Forbes* magazine article described Accorero as "the kingpin of Florida bingo" and detailed Williams' connections to Accorero. Williams said *Forbes* got it wrong. Williams said voluntarily after he was deported.

In addition, the memorandum says that Accorero operated a paper company that supplied bingo cards to halls, including some on Indian reservations. Accorero also tried to buy a Florida press company that produced bingo supplies, with Williams helping Accorero with the purchase negotiations.

The pre-arrest memorandum, written by assistant U.S. attorneys J. Randall Gold and Thomas McNulty in March 1987, seven weeks after Williams' conviction, describes Accorero as someone who skims profits from bingo operations. Gold and McNulty accuse Williams of running bingo games for charities, both real and

worth was pegged by the FBI at some \$35 million during the early 1980s.

According to law-enforcement officials in the tax evasion case and elsewhere, Williams' has a history of owning and running businesses, from bingo parlors to strip clubs, with others fronting for him. And in at least three cases, Frank appears to be fronting for Williams.

In the first case, Frank, according to New Mexico authorities, came to Albuquerque in 1981 to an attempt to open a high-stakes bingo business for Williams. According to a 1982 report issued by The Governor's Organized Crime Prevention Commission titled, "Infiltration of Organized Crime Into Bingo in New Mexico," Frank failed to disclose both his and Williams' interest in the proposed bingo hall. Frank, according to the report, used the name of an employee of his from Hialeah Hall, a bingo parlor in Florida, as the owner, when in reality Williams was to control the potential business as well as another venture on an Indian reservation.

BINGO IS HIS GAME

Robert Frank, seen at right during a press conference with the Ramapo tribe in March 1993, never disclosed at the time that he was being accused in California of skimming from an Indian-run bingo hall. Frank says he reneged from the bingo management firm he headed and did not know until called by the *Law Journal* that he was cited for

Frank and embezzlement in a \$534,000 judgment against him and his partner.



PHOTO BY THE STAFF OF THE LAW JOURNAL

same way on the lease, reports prosecutors.

Says Frank about Hialeah: "Jimmy Williams built it and I let it. The building was leased charity so I was just the landlord."

The New Mexico report said the Hialeah business was cited violations of Florida's gaming laws. Frank says, "That's true, just owned the building."

Alleged Skimming of Bingo Pr

In the third example cited by authorities, Frank, a 1957 graduate of Seon Hall University, was in 1983 to help in the effort to a recognition, and to subsequently high-stakes bingo hall for 49 p of the revenues. The Ramap were to get 51 percent. The co passed the tribe \$20 million 15 years, according to Frank an Davis.

About seven months after the 1985 announcement, a bingo hall operated by Frank, Williams according to federal prosecutors, convicted felons, in Jackson — 50 miles northeast of Sacramento was closed down after four it when as chief financial backer owed the operators of skimming than \$15,000 a night. After investigation, an Alameda County awarded a judgment of \$534,000 interest and attorney fees to former developer Lynn Awbury, 1 tober 1991. Though about his judgment was for indiscriminate other causes of action included and embezzlement.

Frank and Williams left the and the judgment was order default. Federal prosecutors in F say, though, that the Williams' group, after securing an empo contract with the Mi-Wuk, is sold 90 percent of the con another group for \$750,000.

Frank 'Resigns' as Preside

As in the case of the New corporation, Rory Manag Frank was the president of Management Services, Inc., Jackson venture Arrow reple itself as a business client of a sub bingo halls on reservations.

Frank, however, says he re as president of Arrow Manag Nov. 29, 1985, "before the a lions award." He says he is comfortable "with the team b in by Williams," specifically three people he says he later c erred were convicted felons from England.

He produced a letter fro Florida attorney representing W which acknowledges that Fri signed on Nov. 29, 1985, and fore should not have been inclu an embezzlement or a sub cross-defendant. Initially, Williams and Arrow Manag used Awbury for interfering wa contract, and Awbury commi the crime. Bruce Rader, a O o Lauderdale, concluded in the

concocted, with most of the profits going, illegally, to Williams' companies rather than the charities.

Williams, for instance, was once shut down by authorities in Nashville who suspected the proceeds were not going to charity as named. After being shut down, the executive director of the charity set up by Williams, the American Hyperbaric Association, Inc., obtained a mail-order ordinance and relied for a charitable solicitations permit as a manner. The executive director was Frank Gerillo, described in court papers as an associate of Accorero who was indicted with the mob boss in 1980 for fixing races in Florida. Gerillo was convicted in 1981, while Accorero was found to be incompetent to stand trial on medical grounds. Accorero's get

Frank acknowledges playing a role in trying to set up the bingo operation for Williams in Albuquerque in 1981-82, and further acknowledges that the named principals in the proposed venture worked at Hialeah Hall, which he owned. But he says, "I was on my way to California and Jimmy asked me to stop by and check it out. He valued by opinion, and he paid me."

Hialeah Hall represents the second example of Frank allegedly fronting for Williams. While Frank admits he owned the business, and while Florida corporate records list him, and not Williams, as an officer of the business, the prosecutors in the Williams tax case wrote in 1987 that "there was clear evidence that [Williams] was running Hialeah Hall." Williams

CONTINUED ON NEXT PAGE

133 N.J.L.J. 183

CONTINUED FROM PREVIOUS PAGE

1968 letter. "We are exploring the possibilities of extracting you from this lawsuit."

Apparently no such action ever occurred, as Frank remained a cross-defendant and is named on the judgment. Frank admits he was served in 1987, saying he relied on Randall even though Randall was not his lawyer. Randall has since died. "Until you just told me, I thought I was exonerated from that suit," Frank told a *Law Journal* reporter two weeks ago.

Frank produced a "closing memorandum" signed by him and Williams showing that he sold his interest in Arrow Management on Nov. 29, 1985. The price was \$150. Asked why he sold his stake in a business that was grossing thousands of dollars a night for only \$150, Frank says, "I just wanted out because I didn't like the backgrounds of those people Williams brought in, and I never even got the \$150."

Eighteen days after his "resignation" from Arrow Management in California, Frank appeared at another press conference with the Ramapooughs in Mahwah to discuss his contract as president of Rory Management.

Memo Details Frank's Role

The federal prosecutors in Florida later concluded that the trio of New England felons actually brought Frank and Williams onto the Mi-Wuk Indian deal.

The prosecutors in their 1987 press-release report, link Frank to Williams as early as 1977-78, saying that Frank played a small role in an attempt by Williams and his associates to bribe an unnamed Florida state senator to pass legislation favorable to Williams and his associates.

According to the memorandum, Frank picked up several \$1,000 paychecks from a lobbyist for Williams



BEHIND THE SCENES: Mafia boss Anthony Accornero, above, recently convicted of running a crime family, became a bungee kingpin in South Florida after fleeing New Jersey in the 1970s. He held interests in bungee halls owned by James Williams, an associate of the men who conspired to run the Ramapooughs' gaming operations.

after Williams demanded that a portion of a \$28,000 fee be returned because the proposed legislation never passed the state Senate. While the prosecutors portrayed the unnamed lobbyist as a participant in the bribe scheme, Frank's role was described only as that of a conduit between the lobbyist and a Williams associate named Charles Bogus, who had owned the South Florida bungee halls that were later taken over by Williams and skunked by Accornero as an alleged secret partner of Bogus.

Bogus, according to the New Mexico authorities, had pleaded guilty to a bungee related bribery charge in the 1970s.

Says developer Awbry today. "Frank was there in the beginning, and he was the president, but all I ever saw was Williams, who ran the place. I never saw Frank but once or twice."

In 1985 Frank told reporters in New Jersey that his backer was prepared to invest up to \$4 million on behalf of the Ramapooughs' effort, but he refused to identify the backer. In December 1985, he described the backer as "a local gentleman from the New Jersey area, an outstanding citizen of the community," according to *The New York Times*. On Sept. 3, he again declined to identify his backer, but, when asked, said emphatically it was not Williams or Accornero.

Schneider, the Ramapooughs' attorney, says that the current backer of the Ramapooughs, who is paying the legal, lobbying and public relations fees as well as underwriting the tax volumes of anthropological and geological studies submitted to the Bureau of Indian Affairs, is different from Frank's earlier deep pockets. But he and Van Duik, also known as Chief Red Bone, say the investor's identity must remain secret.

Frank, Ramapoough attorney Schneider, and Chief Van Duik all say Frank's final contract expired about two years ago. However, the company formed in 1985, Rory Management, continues as an active corporation, according to records with the Secretary of State in Trenton. The Mayo of New Brunswick's Mayo and McCutcheon, says of Rory as Frank's efforts on behalf of the tribe "They're still working on it. It's in an active status as far as I know."

Mayo says Rory's new attorney, Theodore Cohn of Livingston, who according to his secretary does in practice but is a consultant who trades as TRC Management. The secretary says that Cohn, as well as Rory treasurer, an Edison associate named Joel Miller, will not comment. She referred all queries to the tribe to its lawyer, Schneider. Miller or Cohn claimed to return several phone calls.

As for Frank today, he says, was working for a medical lab but didn't work out and now I'm not working, but I'll come home if [the Ramapooughs] get the federal recognition.

LITIGATION SUPPORT ACCOUNTING

- Matrimonial
- Expert Witnesses
- Fraud
- Commercial Disputes
- Business Valuations
- Bankruptcy
- Personal Injury
- Shareholder Disputes

Practice Limited to Forensic Accounting

WINTERS and IYEN

Certified Public Accountants

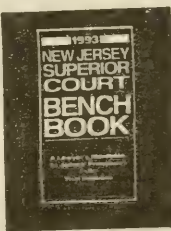
One Madison Plaza West

Littleton, CO 80120

Telephone: 303-755-2522

Telex: 150774 WINTERS

LEARN THE ANSWER BEFORE
YOU ENTER THE COURTROOM.



THE FIRST-EVER COMPILATION OF JUDGES' PREFERENCES
AND PROCEDURES IN THE STATE'S TRIAL COURTS -
A VITAL SOURCE OF INFORMATION FOR EVERY ATTORNEY

AVAILABLE NOW FOR ONLY \$99.95. DISCOUNTS TO NEW ATTORNEYS
AND SOLO PRACTITIONERS. TO ORDER YOUR COPY OF THE BENCH
BOOK, CALL NEW JERSEY LAW JOURNAL BOOKS AT (201) 642-4075.

Limits of Speech

CONTINUED FROM PAGE 23

In *Saxe v. Smealie*, 263 N.J. Super. 98 (1993), an appeals court ruled that a letter containing a confession written by a man to his wife was admissible against the defendant. The letter was turned over to prosecutor's by the wife's father, who found it among his daughter's possessions as he helped her move. The wife did not know her father had found the letter. The panel ruled that the marital communication privilege in the rules of evidence does not apply to a written statement that falls into the hands of a third party.

The letter was of interest because in *Craig Szemiele* described how he committed a murder. The prosecutor linked the statement in the letter to the man Szemiele was accused of killing.

In the same case, the defendant also allegedly confessed to a "murder of violence" who committed him in prison. The appeals panel held that the defendant could not prevent the murder from occurring because the press-penalty privilege belongs to the

press. The Supreme Court will review both holdings.

Fiancee's Emotional Distress

And in a case that could provide personal injury lawyers with a whole new set of plaintiffs, the Court will review an appeals court's ruling that a person who witnesses the accidental death of her fiancé has a close enough relationship to the victim to sue for emotional distress. Previously, courts have allowed such suits when the plaintiff has a "marital or intimate, familial relationship" with the victim. The opinion in *Dumely v. Greger*, 261 N.J. Super. 110 (1992), written by Appellate Division Judge Howard Kenna, states that "the status of 'family' is not to be determined by application of a verbal formula but rather by particularized attention to the qualities of the actual relationships at issue in the context of the goals sought to be served by the legal standard at issue."

Dumely v. Greger, No. 36,348, could be the latest test of the Court's pro-plaintiff reputation. ■

U.S. NEWS

Gambling with the mob?

Wise guys have set their sights on the booming Indian casino business

Seated in the largest Senate hearing room with a hood over his head to protect his identity, the witness identified only as "Marty" had some confessions to make. Not only had he helped the mob set up and run a high-stakes bingo hall on an Indian reservation, he testified, but he had padded expenses and robbed the tribe of over \$600,000 a year.

But even Marty's sensational tales of filling bingo balls with helium and awarding \$60,000 bars to paid shills paled in comparison to his next news flash. Marty told members of the Senate Select Committee on Indian Affairs that 12 other Indian bingo halls also were controlled by the mob. "Organized crime is destroying the Indian reservation," he said in a slow, mechanical baritone, his voice deliberately altered through the use of a special machine.

Four years later, the leaders of the Indian gambling industry are still smarting. Marty's apocalyptic visions of Mafia domination have been proven wrong, they argue, adding that Indian-owned casinos and bingo halls are more heavily regulated than the gaudy palaces in Atlantic City and Las Vegas. But while it's true that the industry has grown much more sophisticated and has weeded out the most venal operators, many questionable characters remain. From dozens of interviews with federal, state and local law-enforcement officials and from documents obtained through the Freedom of Information Act, U.S. News has learned of a number of cases that raise serious doubts about the integrity and inviolability of Indian casinos.

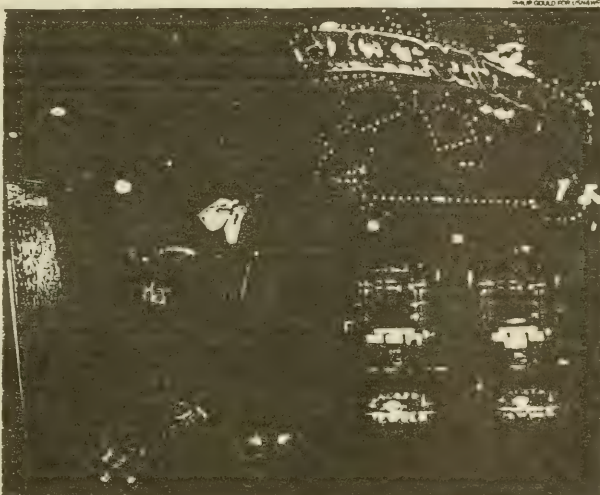
The new buffalo. Devastated by unemployment, substandard housing and schools and crippling alcoholism, many Indians have come to see gambling as "the new buffalo"—the first true economic opportunity in two centuries. But buffalo never paid dividends like a one-armed bandit. In Connecticut, the sprawling Foxwoods Casino owned by

the Mashantucket Pequot could conceivably gross \$1 billion this year and net half that amount. On the Shakopee Mdewakanton Dakota reservation near Minneapolis, the Mystic Lake casino takes in so much cash that tribal members sometimes receive dividend checks for up to \$20,000 a person per month, one official with the Bureau of Indian Affairs says. And just last month near Syracuse, N.Y., the Oneida Indians opened the \$10 million Turning Stone Casino, expected to rake in well over \$100 million a year.

Now that 73 tribes in 19 states offer or will soon offer full-scale casino gambling, the big boys have taken notice. Atlantic City casino owner Donald Trump recently sued the U.S. government for allegedly giving an unfair advantage to tribes setting up casinos. And he's out to prove the fledgling industry is corrupt. "A lot of the reservations are being, at least to a certain extent, run by

organized crime," says Trump. "There's no protection. It's become a joke."

Mobsters did, in fact, prey upon Indians gambling during the 1980s. Besides Marty, whose real name was Stewart Siegel and who managed a California bingo hall for the Barona Indians before he died of cancer, Indian gambling's cast of characters was like something out of an Edward G. Robinson movie. Just this spring, for example, reputed Chicago mob boss John "No Nose" DiFronzo and his gambling expert, Donald "The Wizard of Odds" Angelini, were convicted of conspiracy and fraud in a failed attempt to take over gambling operations at the Rincon Reservation near San Diego in the late '80s. The Chicagoans had hoped to skim profits and launder mob money. FBI wiretaps show, in 1980, California's Cabazon Indian tribe hired as their poker-room manager one Rocco Zangari, identified as a mobster in Senate



Big-time enterprise. The huge, new market in Indian-owned casinos is a draw for vendors.

testimony. He was subsequently fired. Later, after trial Vice Chairman Alfred Alvarez complained to local newspapers about poker-room skimming, Alvarez and two others were shot dead; the case has never been solved.

"There's probably been a learning curve, and people have been burned," says Rick Hill of the National Indian Gaming Association. But Las Vegas was an open town for mobsters in the 1930s, he adds, policed only by a sheriff. "You always have to look at things from a historical perspective."

Trump's hyperbole notwithstanding, the vast majority of the 175 total Indian casinos and bingo halls are honest and clean. Many employ Las Vegas or Atlantic City pros and have vigilant in-house security teams. Several management companies are publicly traded and have passed overlapping layers of government scrutiny. The FBI does not see a "coordinated, concerted effort" by organized-crime families to raid the Indian gambling industry, says Jim Moody, chief of the FBI's organized-crime section. There are no "publicly known" cases of current mob infiltration.

But the threat remains. The bureau has six ongoing investigations—one more than when Moody testified in Capitol Hill just a few months ago. And when asked which crime families are interested in Indian gambling, Moody re-

sponded: "I don't know any that are." The Pittsburgh road paver, The FBI is investigating a Pennsylvania asphalt-company owner who manages a major casino in Minnesota and is expanding into tribal gambling in California, Oklahoma and Ontario, Canada. *U.S. News* has learned, Angelo Medure, 64, president of Gaming World International, has no criminal record and has passed the background checks required to manage the Shooting Star Casino in Mahanomen, Minn., owned by the White Earth Band of Chippewa. No charges have been filed against him. But the FBI became suspicious when it learned Medure leases a New Castle, Pa., warehouse to a pasta firm that was run in the 1980s by reputed mobsters.

The Pennsylvania Crime Commission says that Henry "Zebo" Zottola, 57, was president of Rocca's Italian Foods and that Louis Raucci Sr., 63, was an investor and employee. Zottola helps collect payments for the Michael Genovese crime family from local loan sharks, bookies and drug dealers, the commission says. Raucci was convicted in 1990 on racketeering, narcotics and tax violations and is serving a 27-year jail sentence.

In an interview, Medure initially denied knowing Raucci or Zottola. Later,

called Medure's condominium in Pompano Beach, Fla., and Medure's construction company. Medure says he has no organized-crime links and claims Zottola simply called to discuss warehouse remodeling plans.

Zottola acknowledged last week that he called Medure repeatedly in 1986 to discuss the warehouse. He admits being friends with men who the crime commission says are Pittsburgh mobsters but claims he has no link to the Mafia and is just an honest carpet salesman. Although Zottola never admitted it to



In the cards, Mohawk Bingo Palace in Hogansburg, N.Y., can seat up to 1,700 players at once.

he said he had met Zottola at the pasta plant several times but claims he was unaware of Zottola's background. Confidential telephone records obtained by *U.S. News* confirm their relationship. A 24-page summary of calls made in 1986 from Zottola's Pittsburgh home reveals that Zottola called Medure's house and his trailer home in New Castle six times on March 21, 1986. On May 9, Zottola

local FBI agents when they questioned him three months ago about Medure, the calls did not stop in 1986. Zottola called Medure about eight months ago to discuss selling him video-poker machines to be used at the Minnesota casino. Medure confirmed the call but says he told Zottola he was not interested. "[Medure] told me that anything he put on that reservation had to be approved by the state of Minnesota. And I just forgot about it after that," Zottola adds.

The White Earth tribe has had some curious business dealings in the past. In 1987, before Medure became involved, Carmen Ricci sold 30 video-poker machines to the tribe. New Jersey officials describe Ricci as an associate of the Nicodemus Scarfo crime family. "At that time they were legitimate

The take on Indian gambling
 Indian-owned casinos, bingo halls and card rooms have boomed in the past few years. In 1992, gamblers bet between \$7.5 billion and \$10 billion in Indian-owned casinos, bingo halls and card rooms. Tribes in 19 states offer or are about to begin offering full-scale casino gambling. Connecticut's Mashantucket Pequot tribe will expand to a 29,400-square-foot casino next month—225 game tables, 200 slots, off-track betting and a bingo hall for 1,900 players.

U.S. NEWS

businessmen. Tribal Chairman Darrell "Chip" Wadena says.

Medure profits handsomely from his casino deal. His firm gets 35 percent of casino profits—at least \$3 million a year. Chairman Wadena fought to increase Medure's take by 5 percent, at his own tribe's expense, but a federal mediator refused. Medure has plans to manage casinos for the Hopland Band of Pomo Indians and the Cloverdale Pomo Indians in Northern California, and the Rattaport First Nation near Kenora in Ontario. His firm also plans to manage a bingo hall, set to open this week, for the Seneca-Cavuga tribe in Miami, Okla.

The strip-bar owner. Restaurant owner Robert Sabes was well known in Minneapolis as a millionaire businessman. So locals were hardly surprised when he created a successful casino management firm called Gaming Corp. of America. But troubles began this spring when Mississippi gaming regulators learned that Sabes owns a topless bar in Minneapolis where the entertainment was managed by Michael Peter, a flashy South Florida millionaire with a nationwide chain of strip-tease bars called Solid Gold. Peter was indicted in 1991 on extortion and kidnapping charges, and the case is pending in state court. Federal agents seized thousands of Peter's documents at about the same time, citing concern over possible organized-crime ties. No federal charges have been filed.

Sabes denies any mob links and says he had "an arm's length" relationship with Peter. But the embarrassment and the licensing delays to come persuaded Sabes to sell his Gaming Corp. stock last April and leave the publicly traded firm. Although one tribe quickly cut all ties to the restaurateur, others continue to seek his business. Early last month, Sabes won preliminary approval from Arizona's Yavapai-Apaches to manage their proposed casino north of Phoenix.

New evidence of a more troubling relationship may jeopardize those plans, too. In testimony to the Wisconsin Winnebago gaming commission released this month, Sabes admits also doing business with James Williams, a partner in Peter's strip-bar empire and once a major bingo hall operator for Indian tribes and char-

ities from California to Florida. Williams was convicted in 1987 of failing to pay taxes on some \$300,000 he earned from bingo halls. Florida police records call him a "close associate" of Anthony Accetturo's, whom the FBI has identified as a capo, or boss, of the Thomas Luchese crime family of New York. Williams, who did not return phone calls, admits in the police files only to meeting Accetturo three times in the 1970s.

In a recent interview, Sabes admitted that he signed papers with Williams as early as Nov. 9, 1988. That was just four months before Williams was locked up, prison officials say. But he says he did not learn of Williams's con-

commission report claims certain bingo operations in the Youngstown, Ohio, area "are obligated to purchase bingo supplies from Nannicola."

Nannicola says his firm sells supplies in 25 states and got the Tamiami contract because of superior service and price. He denies that his father-in-law or his business has mob ties: "The Pennsylvania Crime Commission should get some new employees and some new information."

Despite the allegations, the National Indian Gaming Commission has never done a background check on Nannicola Wholesale or Tamiami Partners. One reason: Although Congress created the commission five years ago to regulate



Minnesota tribe. Mystic Lake casino reportedly earns each tribal member up to \$20,000 a month.

viction or alleged Mafia ties until 1990.

The bingo paper supplier. When Florida's Miccosukee Indians opened a 2,000-seat bingo hall west of Miami in 1991, they hired Tamiami Partners to run it. Two years later the tribe kicked the firm out, alleging mob ties. Tamiami partner Cyv Mandel denies the charges and has sued the tribe for cutting him out of the venture, which last year grossed \$35 million. One thing is sure: Tamiami did sign a contract with a bingo paper supplier authorities have linked to the mob.

After a bidding process, Tamiami began buying supplies from Frank Nannicola of Warren, Ohio. Nannicola is the son-in-law of Charles Imburgia, who, according to the Pennsylvania Crime Commission, is a member of the Genovese crime family in Pittsburgh. A 1992 crime

Indian gaming, its rules didn't take effect until six months ago. The commission has a massive backlog of old and new management contracts to review.

Just such snags prompted members of Congress to meet this summer to discuss tightening Indian gambling laws, and a new Senate bill likely will be introduced next month. National Indian Gaming Association Chairman Rick Hill says the tribes want the cleanest industry possible. But they also want to ensure that a few questionable characters do not bring ruin to an industry that employs thousands and has helped tribes build much-needed schools, hospitals and homes. "It's a bread-and-butter issue," Hill says. "We need Indian gaming to survive." ■

BY JAMES POPKIN

100-100000

CHICAGO TRIBUNE

NEWSPRICES

LAFF EISENBERG:23

PAGE 5

3RD STORY of Level 1 printed in FULL format.

Proprietary to the United Press International 1992

January 27, 1992, Monday, 3C cycle

SECTION: Regional News

DISTRIBUTION: Illinois

LENGTH: 580 words

HEADLINE: Reputed Chicago mob bosses arraigned

BYLINE: BY HILMER ANDERSON

DATETIME: SAN DIEGO

KEYWORD: CA-MOB

BODY:

Sam "Wings" Carlisi, the reputed acting boss of Chicago's Mafia accused of trying to take over gambling operations on an Indian reservation, pleaded innocent to racketeering charges Monday along with a group of alleged lieutenants and associates.

Carlisi appeared before U.S. District Judge William E. Enright for the first time since he was indicted Jan. 10 with eight other defendants, including alleged mobsters John DiFronzo, Don Angelini and Michael Caracci.

The nine defendants sat quietly among the handful of spectators in Enright's courtroom until it was their turn to crowd around the podium with an equal number of attorneys.

Eight pleaded innocent. The ninth, Chris Petti, pleaded innocent last week and was in court for a bail hearing.

"It was kind of nice to see some of my old acquaintances up there," said Art Phizenmayer, the head of the FBI's organized crime unit in San Diego who earlier had worked in Chicago.

Because the case is based primarily on several thousand pages of wiretaps and supporting documents, it is expected to take several months to reach trial.

A motion hearing was scheduled for June 8.

Carlisi is the lead defendant in a 15-count indictment that accuses the mob of trying to gain control over gambling operations at a planned casino on an Indian reservation east of San Diego.

He was described in the indictment as a "crew chief" who ran things on Chicago's West Side for the organization, founded by Al Capone, until 1987 when he was anointed acting boss after Joseph Aiuppa and underboss Jack Cerone were sent to prison and heir-apparent Joseph Ferriola's health deteriorated.

The alleged plan to take over gambling at the Rincon Indian Reservation was presented to the mob leadership through Caracci by Petti, a Cicero, Ill.,

SENT BY:

: 5- 4-93 :11:33AM :

LAW OFFICES-

CLAPP EISENBERG:#27

PAGE 7

Proprietary to the United Press International, January 27, 1992

tive whom authorities believe has been the family's man in San Diego since the 70s.

Petti allegedly conspired to win the management contract with Glen Calac, a contact on the reservation, and Nicholas De Pento, a San Diego lawyer who dealt with the Rincon Tribal Council on Petti's behalf.

Petti's alleged maneuverings, however, were monitored by the FBI and San Diego law enforcement officers who were authorized to conduct "roving taps" that allowed them to listen in on phone calls made at pay phones and on De Pento's office.

"The defendant (Petti) uses the phone to commit his crimes," Assistant U.S. Attorney Carol Lam told Enright.

Carlisi, DiFronzo and Angelini allegedly were willing to put up money for an alleged takeover attempt and had a Florida man picked out to act as manager, but they pulled out later because they were losing money on a similar reservation casino in Baltimore.

The white-haired Angelini, in court on the day after the Super Bowl, is better known in law enforcement circles as "The Wizard of Odds," the man who runs the vital sports betting lines that are used by bookmakers across the country.

The indictment also contains extortion charges stemming from Petti's alleged efforts to collect money from gamblers with the help of co-defendants Carmen and Anthony Di Nunzio of Los Angeles and John Spilotro.

Spilotro, identified as a mob associate from Las Vegas and brother of the late Tony "The Ant" Spilotro, the mob's reputed overseer in Las Vegas who was murdered in 1986.

All of the defendants except Carracci, Petti and Anthony DiNunzio have been released on bond. Carmen Di Nunzio remains a fugitive.

1ST STORY of Level 2 printed in FULL format.

Copyright 1993 Star Tribune
Star Tribune

July 4, 1993, Metro Edition

SECTION: News; Pg. 1A

LENGTH: 2733 words

HEADLINE: Winnebago case illustrates casino business gone awry

BYLINE: Pat Doyle; Staff Writer

DATELINE: Madison, Wis.

BODY:

Tribal tensions, shootings and arson erupted while Glenn Corrie managed a Wisconsin Winnebago Nation casino. His guilty plea to bribery closed a phase of a case that offers a rare look at a business gone awry.

Two dozen American Indians sat on benches in the courtroom, silent spectators in one of the last acts of a drama about temptation and corruption.

They watched Chicagoan Glenn Corrie, burly and bearded in a gray shirt, tie and sport coat, sitting at the defense table. Was it true he once controlled lucrative Indian casinos by paying some tribal officials up to \$ 120,000 in bribes?

"No doubt it was more, your honor," Corrie said.

In pleading guilty last month in federal court to bribery, Corrie closed a crucial phase of a case that offers a rare look at a casino business gone awry.

For nearly two years the Wisconsin Winnebago Nation lost control of a fledgling business born of tribal sovereignty. Longstanding tribal tensions erupted under Corrie's management, climaxing with shootings and arson at the tribe's casino near the Wisconsin Dells.

While other tribes were parlaying casino profits into public-works projects or monthly revenue-sharing checks, the Winnebago were paralyzed by turmoil. The ramifications continue even as the tribe today reports success under new casino management.

The Indians are still trying to recover the \$ 2 million Corrie was paid while illegally managing the casinos. Federal and tribal officials say they can't account for another \$ 3.7 million in casino revenue intended for the tribe.

And prosecutors expect to charge tribal members this summer with taking bribes from Corrie.

In Indian communities where one in four adults was jobless, the temptation of casino money was powerful, said tribal member Orbert Goodbear.

Star Tribune, July 4, 1993

"When I was a kid, my grandparents used to sell baskets along the highway," Goodbear said. "Our people don't come from a prosperous background, and for that reason, money sways people. I don't approve of it, but I understand it."

The Winnebago experience is perhaps the clearest illustration yet of the challenge facing the federal government. It must regulate casinos to protect Indians without violating the autonomy of Indian tribes.

The Wisconsin Winnebago have 4,700 members, about half of them living in western and central Wisconsin. Other members settled mainly in southeastern Minnesota, the Twin Cities, Madison and Milwaukee.

Their legacy is tragic even in the context of American Indian history. In the 1860s the federal government forcibly moved the Winnebago people from Minnesota to the Dakota territory and later sent other members from Wisconsin to Nebraska. Many starved or froze to death.

"The case of these Winnebago Indians is one of peculiar hardship," a federal official for Indian affairs wrote in 1863.

Some among the Winnebago returned to Wisconsin, where today their descendants live on parcels of land held in trust by the Department of the Interior. In the 1980s the Winnebago were running successful bingo games on some of that land when the Supreme Court and Congress allowed tribes to start a more lucrative and tantalizing business: Vegas-style casino gambling. The ventures promised to reduce poverty in Indian communities.

But the new opportunity also stimulated the appetite of outsiders looking for a piece of the action.

One of those was Corrie. He is 48 years old with a formal education that ended in his freshman year of high school. For years he had operated out of suburban Chicago, supplying gambling equipment to Illinois charities. In early 1990, as tribes ventured into casino gambling, Corrie headed to Wisconsin.

He checked out several tribal casinos before getting involved with the Winnebago. He learned that some tribes were sophisticated, while others were struggling with the basics.

At the Menominee Reservation, "The dealers were running into a room watching a videotape trying to learn what they were supposed to be doing," Susan Kelleda, a Corrie associate, said in a deposition. "Glenn had mentioned that they really didn't know what they were doing . . . were probably losing a lot of money."

Corrie, through his lawyer, declined to comment last week about his operations. In court proceedings he cited Fifth Amendment privileges against self-incrimination to deflect questions about his operation, his past employer and other issues.

But sworn depositions and interviews with his associates, casino employees, prosecutors, police and tribal officials offer a look at how the Winnebago casinos worked - and didn't work.

Corrie, operating as the Jenna Corp., began managing casinos near Wisconsin Dells, Nekoosa and Black River Falls for the Winnebago in May 1990. His

Star Tribune, July 4, 1993

PAGE

contract for up to 40 percent of the profit was more than typically allowed under federal law. The Interior Department later said the cut was too generous and criticized other provisions beneficial to Corrie.

But Corrie would manage the casinos for the next 20 months without the necessary federal approval.

Jeffrey Behnke worked in construction and waited tables before landing a job as a security officer at the Ho-Chunk casino near Wisconsin Dells. Within three months, Corrie promoted Behnke, who is not a tribal member, to be a manager of the casino, the tribe's largest.

"You went from no experience to management?" Assistant U.S. Attorney Mark Cameli asked him during a deposition.

"It was a moron's job," Behnke replied.

In any case, the management of the Ho-Chunk ran into problems.

Samantha Day, a tribal member who worked at the Ho-Chunk, said money emptied from gambling machines sometimes didn't jibe with the machines' meters. On at least one occasion, Corrie associates from Las Vegas told employees not to mind the discrepancy; they'd sort it out.

Tribal representatives were on hand to monitor the money, but, "They were more confused than I was," Day testified. "They never knew how to do the paperwork at all. They never saw it."

Cameli asked Day, "What kind of check and balance did the tribal employees have?"

"The representatives never really did," Day replied.

She also said the casino lent money to bettors without a clear policy. "Sometimes they took chips right off the table," Day said. "Sometimes they got the money from the cashiers."

She recalled a businessman from the Wisconsin Dells receiving \$ 1,300 in credit. Another person "would go right into the office and get chips and play.

"We were told if we didn't treat these people good, we would get fired. It was mostly people [the management] thought spent a lot of money. It didn't matter how much credit they wanted, you were to give it to them."

Corrie paid the motel bill for a regular customer who stayed overnight, and handed out cards allowing others to bill him for meals at local restaurants, Day said.

A woman who joined Corrie on a trip to Las Vegas "came in and wrote out a check for their expenses. She cashed it right there at the casino. No one questioned her."

Day told of times when an influential tribal member "would be really angry . . . and call [Corrie] up and say, 'You will lose my support.' Half an hour later a check would come in to him . . . and they cashed it right there."

Star Tribune, July 4, 1993

The rewards for backing Corrie were sometimes visible. Tribal members still talk about favored Indians being allowed to drive Corrie's Cadillac around the reservation.

"There was an atmosphere of corruption," Goodbear said. "It's common knowledge that if someone is a [tribal] area representative, his friends get a job."

Tribal members who didn't support Corrie say they saw few benefits from the casino. Instead, they saw basic tribal services decline.

Helen Cloud, 58, said her federally subsidized payments for diabetes medication, funneled through a tribal health clinic, were interrupted.

"We're poor as it is," said her husband, Jake, 66. "They couldn't buy me for any amount of money. I'm glad I was on the other side. He paid the boys off."

Turmoil among the Winnebago didn't begin with Corrie. But Corrie's management of the casinos fanned tensions to a flashpoint.

It wasn't long before allegations surfaced that he used patronage jobs, kickbacks of cash and gifts and other favors to maintain political support from some Winnebago.

"When Glenn Corrie came into our midst and began to influence some of the tribal members, he began the process of corrupting our whole tribal government," said JoAnn Jones, who won election in 1991 to tribal chair on a campaign to evict Corrie.

Soon the Winnebago Nation became so divided over Corrie that its government disintegrated, failing to muster a quorum to conduct tribal council meetings.

Without a tribal government it could recognize, the U.S. Bureau of Indian Affairs (BIA) slowed \$ 1 million in federal money intended for Winnebago members. The BIA said the disintegration of tribal government also made it impossible to approve a casino management contract - even if one existed with terms more favorable to the tribe.

But Corrie didn't stop for lack of BIA approval. He had enough support among some tribal officials and a security force to stay in business.

Tension erupted a year into his tenure when tribal chair Jones led 100 followers to the Ho-Chunk in the first of a series of confrontations. During the next six months, combatants brandished ax handles, blockaded entrances, fired guns and hauled a hangman's noose to the casino.

"I could see bloodshed coming," said Sauk County Sheriff Virgil (Butch) Steinhorst, who lacked authority to investigate tribal complaints.

At first, the BIA, unsure of who really represented the Winnebago, avoided moving against Corrie. His opponents converged on the BIA offices in Minneapolis in protest.

Jones kept up the pressure and after months of turmoil the BIA asked the Justice Department to intervene. The Justice Department moved to evict Corrie,

Star Tribune, July 4, 1993

the first time it had taken such action against the manager of a tribal casino in the Upper Midwest.

The U.S. attorney in Madison declared that Corrie "threatens the economic security and well-being of the tribe" by operating without a federally approved contract. Corrie's lawyers pitched a federal judge a remarkable defense: Because the Winnebago no longer had a functioning government, they couldn't enter into contract. Therefore, there was nothing for the BIA to approve or reject.

U.S. District Judge John Shabaz was having none of it. Calling the tactic "sophistry" and a "ridiculous argument," Shabaz kicked Corrie out of the Winnebago casinos and ordered him to return \$ 2 million in management fees to the Winnebago.

The two sides had a final standoff at the Ho-Chunk. Corrie allies barricaded themselves inside the casino with chairs and cigarette machines. Two tribal members were wounded by gunfire, allegedly from a Jones supporter. Another Jones supporter, Steve Funmaker, filled juice bottles with gasoline and started a fire.

"I did [it] . . . so Corrie couldn't get ahold of it again," said Funmaker who is serving a 33-month prison term for the arson, which caused minor damage and no injuries. "Why should he have the benefit of the proceeds from that at the expense of tribal people?"

The court order ended casino business for Corrie. Today, the tribal government is running again, and the tribe reports that its casino business has expanded, tripling the number of jobs that existed two years ago and financing new tribal enterprises.

The BIA's area director Earl Barlow and Wisconsin area superintendent Robert Jaeger recently visited Winnebago communities. "We were both quite impressed at the progress they were making," Jaeger said. He said the casinos, now managed by firms that receive a lower cut than Corrie, are succeeding.

"We have not fully recovered, but we have made progress and we have learned," Jones told a U.S. House subcommittee last week at a hearing on Indian casino gambling in Oneida, Wis.

One thing the Winnebago haven't recovered: the \$ 2 million. Corrie hid his assets in bankruptcy proceedings, a bankruptcy trustee said.

In the living room of Helen and Jake Cloud's home near Lake Delton, tomahawks and eagle feathers hang near a display of American flags on pedestals, a fitting arrangement for citizens of two nations.

The Clouds and other Winnebago watched their tribal government disintegrate into anarchy in the dispute over Corrie. They waited for their other nation to intervene.

Just how much regulation the federal government should exercise over Indian casinos is a matter of debate in Congress and among tribal members. Laudable but sometimes competing goals collide: respecting tribal independence while preventing exploitation.

Star Tribune, July 4, 1993

"There's a difficult balance the government has to reach between recognizing autonomy within Indian nations and regulating gaming operations so the tribes benefit the most," Cameli said.

Federal prosecutors haven't intervened in every instance in which casino management firms operated without first obtaining BIA approval. The Justice Department took action with the Winnebago case because the potential for trouble was greater.

"You look at the cases that present the greatest threat," Assistant U.S. Attorney Cameli said. "Unlike the other tribes, where at least the governing bodies agreed to hire a company, you had the tribe sharply divided over the presence" of Corrie.

The tribe's experience with Corrie occurred while Indian gaming was under the jurisdiction of the BIA, which complained it had limited powers to regulate casinos. Recently the National Indian Gaming Commission has taken over the job.

"I think before it becomes a smooth operation it will go through many refinements," Cameli said. "It's different than anything else the government's been involved in."

The commission was designed to regulate tribal gaming. It has powers the BIA lacked and should do better, said Jaeger, the BIA's Wisconsin superintendent.

Many tribal members are ambivalent about federal regulation of casinos. When asked what he thought, Goodbear said, "I think the federal government should let the tribes operate independently." Then he paused, and added, "But on the other hand, I think the federal government has a responsibility to make sure these tribes don't get into messes. I think there should be close accounting done on these casinos."

Corrie faces the prospect of following his adversary, Funmaker, to prison. He has agreed to cooperate with federal prosecutors in their investigation of tribal officials who took illegal payments. He also will reveal assets in the bankruptcy case. He wasn't always so talkative. Cameli once began a deposition by posing a seemingly simple question: How long had Corrie lived in Wisconsin?

"I respectfully refuse to answer that question on the grounds it may tend to incriminate me," Corrie replied.

Said Goodbear's wife, Barbara: "I think Glenn Corrie is going to bargain with the federal government, turn in a bunch of names and get less time."

Corrie's attorney, Jeffrey Steinback, said that his client doesn't deserve all of the blame for the fiasco and that he tried to help the tribe manage the new business. "I always thought bribery was the other side of the coin from extortion," Steinback said.

In the courtroom in Madison last month, Jones and others who sought to oust Corrie listened as Assistant U.S. Attorney John Vaudreuil described the corruption. There were envelopes of cash for tribal officials, checks issued to the sister of one tribal official. A \$ 1,000 check was made out for the fictitious purchase of a trailer. Corrie handed out \$ 300 to \$ 500 when tribal members asked for "a pack of cigarettes."

Star Tribune, July 4, 1993

PAGE

Out in the hall, Dallas Whitewing said Corrie offered him money and a job after he won a seat on the tribal council. Whitewing said he took the money, gave it to a charity and went to work for Jones. "All the influence Corrie thought he had," Whitewing said, "it's gone."

GRAPHIC: Photograph; Map

SUBJECT: bribery; investigation; indian; gambling; finance

Mr. RICHARDSON. The gentleman from Wyoming.

Mr. THOMAS. Thank you, Mr. Chairman.

I have just some brief questions, and if you have brief answers, that could be nice.

Mr. Torricelli, I am pleased that you are as interested in the States' role. That is not always the case here in the Congress.

Many of the compacts have included agreements on taxes, on regulation. Why didn't New Jersey enter into one of those?

Mr. TORRICELLI. Well, in fact, New Jersey has not yet been sued. My guess is, we are going to have a problem in New Jersey if the Ramapough Indians are able to establish themselves as a legitimate tribe. They will go to court, and, under the current state of Federal law, have a very good chance of succeeding, in which case New Jersey will have an unregulated casino, untaxed, to compete with our other 18 casinos—12 casinos.

Mr. THOMAS. So you don't have any tribes that qualify under the law now?

Mr. TORRICELLI. No, but unfortunately we are getting very close in what, in my judgment, is an aberration. We do not actually have any legitimate Indian tribes in New Jersey, in my judgment.

Mr. THOMAS. Mr. Trump, you have not concealed your concern about competition with your investments, and I understand that. Would you be satisfied if the State regulated these other casinos?

Mr. TRUMP. Well, I think that it is a very sad thing for the States. I can tell you that I believe it is 49 out of 50 governors are totally against what has taken place.

I know that for a fact Governor Cuomo was forced to sign a pact that he totally didn't want to sign. The communities are up in arms in upstate New York, totally up in arms, and it has just gotten out of control.

You see, I have a very big psychological problem here. I really don't know if it is possible to protect all of the people from all of these reservations. You have too many sources in terms of organized crime, you have just too many places, and so we can say, well, we will put 500 FBI agents on each reservation. But from a practical standpoint you can't do that.

So with all of these reservations opening up, and literally opening up on a daily basis, it seems to me, I don't know if it is physically possible, physically possible, for law enforcement to any longer protect.

Before, you had Las Vegas and you had Atlantic City, and I used to hear stories that there were more agents assigned to Las Vegas and Atlantic City than to any other major city in the United States. Now I don't know if that is correct or not, but I believe it was very correct. In fact, it was even a substantial amount more.

I don't believe that you have enough people when you start getting into this many reservations. The money is too much, and it is there, and it is too easy. It is too easy to skim if you don't have the right law enforcement. It is too easy to skim if you don't have the right procedures. It is too easy to launder money if you don't have the right procedures and the right law enforcement.

So I think you folks have a real problem. I'll be honest. I think you have a real problem. You created a monster. When you were in Las Vegas and when you were in Atlantic City, you had two

places, and you can have 500 agents in each place, and you can do your number. But when you start having 100 and 150 locations all over the place, I think you have created yourself a real mess.

Mr. THOMAS. So you have basically opposed to gambling outside of Atlantic City and Las Vegas?

Mr. TRUMP. I am opposed to gambling when it can't be policed, and I don't believe the Indian reservations can be policed, there's too many of them, and especially when people claim sovereignty when, in fact, there is nothing sovereign. It is only sovereign in that they don't pay taxes.

Mr. THOMAS. Someone indicated—it wasn't you, obviously—that casinos were very concerned about their image; if it became known, as you say it is generally known, that organized crime is there, they wouldn't patronize them. Wouldn't that be the case? Why are you concerned?

Mr. TRUMP. Well, I am very concerned about the Indians' image in terms of gaming because when it blows—and, as I said before, it will blow—that is going to taint the entire industry, including Atlantic City and including Las Vegas.

When it is learned about the laundering and all of the skimming and all of the cheating and everything else that can go on unabated at the Indian reservations, people aren't going to say that is just Indian reservations, they are going to say that is Atlantic City, that is Las Vegas, despite the fact that Trump has hundreds and hundreds of people in each casino policing and making sure everything is legit, they are not going to say that. They are going to say that gaming is a dirty business, look what happened at this particular casino.

So when it blows, it is going to be a huge story. There is no doubt about the fact it is going to blow. It is just a question of time. But that is going to taint the whole industry, including the legitimate industry.

Mr. THOMAS. Thank you, Mr. Chairman.

Mr. TRUMP. Thank you, sir.

Mr. RICHARDSON. The chair recognizes the gentleman from Hawaii.

Mr. ABERCROMBIE. Mr. Trump, you said you don't have any problem with competition.

Mr. TRUMP. That is absolutely correct, sir.

Mr. ABERCROMBIE. There have been suggestions by the Internal Revenue Service and other governmental agencies' representatives this morning that, with some modification of the 1988 gaming laws, that regulation—administrative oversight could be put into place. Now do I understand you to say that if that is the case, then you are perfectly willing to compete?

Mr. TRUMP. I can get other representatives of the Internal Revenue, I believe, to say the exact opposite. I can get representatives of the FBI, I believe, to say the exact opposite.

Mr. ABERCROMBIE. That is not my question.

Mr. TRUMP. I do not believe that you can correct this situation. I do not believe—

Mr. ABERCROMBIE. Why do you not believe that?

Mr. TRUMP. I do not believe that by just—

Mr. ABERCROMBIE. Does that have something to do with Indians?

Mr. TRUMP. No. It has something to do with organized crime.

Mr. ABERCROMBIE. Organized crime can get the Indians but not to you?

Mr. TRUMP. No. I don't believe that organized crime can stay with us for a very long period; they will be caught. I do not believe they can be caught on an Indian reservation. I am not saying that we can't have individual transactions go wrong, but they will be caught. We have every check and balance. I am talking beyond law enforcement. We have every check and balance.

But do you know what is nice about us? We can say, "Hey, the bad guys are on here; call the FBI; call the Casino Control Commission, call the sheriff, call the U.S. attorney." The Indians can't do that to the same extent. They don't have the checks and balances.

Mr. ABERCROMBIE. Why are the Indians incapable of doing that?

Mr. TRUMP. If you look at their security systems, if you look at what they have installed in their casinos——

Mr. ABERCROMBIE. Try answering my question.

Mr. TRUMP. If you look—I am not saying anything——

Mr. ABERCROMBIE. Try answering my question.

Mr. TRUMP. I am answering your question very nicely, sir.

Mr. ABERCROMBIE. No, you are not. You are avoiding answering the question.

Mr. TRUMP. I mean I don't think you want to hear the real answer. That is the problem. If you look——

Mr. ABERCROMBIE. The real answer is, you don't believe that if the same regulations with respect to the IRS, the same kind of Banking Security Act, the same kind of vigilance is put forward on Indian reservations and with respect to gambling and gaming where Indian tribes are concerned, your contention is, they will not be able to exercise the same vigilance that takes place in Atlantic City at your casinos or in Nevada.

Mr. TRUMP. My contention is that there are too many places, and if they are going to go under the cry of sovereignty where they don't have the same powers—where this Government doesn't have the same police powers over them, I say that there is absolutely no way that you are going to keep the mob out of the Indian reservations, and therefore——

Mr. ABERCROMBIE. Let's move to the question of sovereignty.

Mr. TRUMP. And therefore that cannot be met.

Mr. ABERCROMBIE. Let's move to the question of sovereignty then. You indicate that they don't pay taxes.

Mr. TRUMP. I didn't indicate they don't pay taxes. I said they are not paying taxes on casinos, and they are not paying taxes on——

Mr. ABERCROMBIE. That is because the profits from it are to go to the reservations.

Mr. TRUMP. Oh really? What about the \$400 million profit——

Mr. ABERCROMBIE. Yes, the profits by law.

Mr. TRUMP. What about the \$400 million profit that they get, the 300 Indians?

Mr. ABERCROMBIE. If you would—Mr. Trump, if you would get less rhetorical and more back to the facts, I think we could get somewhere with this testimony.

The profits go back to the reservation, go back for expenditures on behalf of Indians. Therefore, a logical person—you are the one who has brought up the question of, it stands to reason, and we have to use common sense—it is common sense that it is in the interests of Indian tribes to see that the games are run honestly, because the more money that comes into the tribe, the more that can be spent on the reservation on behalf of Indian children, on behalf of elderly people, the same people that you have expressed an interest in.

Mr. TRUMP. Respectfully, sir, I really don't believe you understand, and if you do, then we have a bigger problem.

What we have is, when the tough guys, the bad guys, walk on to that reservation, I really don't believe that an Indian leader will be able to tell that gentleman to get the hell off.

Mr. ABERCROMBIE. Like you can.

Mr. TRUMP. Like I can. You know why? Because I have a lot of backup. I have the United States Government, I have FBI, I have U.S. attorneys, I have all of these people as my backup. They don't have the backup. They want to be sovereign.

Mr. ABERCROMBIE. Have you read the gaming law?

Mr. TRUMP. Yes, I have read the gaming law.

Mr. ABERCROMBIE. Then you know perfectly well that the tribes have at their ability to come in, the Department of the Interior, the gaming commissions, the States themselves under the compact regulations. What you are saying is—

Mr. TRUMP. Have they ever done it?

Mr. ABERCROMBIE [continuing]. Is that they will not be able to—they certainly won't be able to do it if they don't get the cooperation of the States or of the Federal Government, and what we are here to see happens is that Indian tribes that have had their rights violated in every single instance with every single treaty, at least as far as this Member is concerned and I think this committee is concerned and Members of this Congress are concerned, is not going to happen again.

If you want competition, and you say you do, I think you are going to be able to get it, and they will come under the same kind of competition, under the same kind of regulations and vigilance as you are calling for.

Mr. TRUMP. Sir, I think you are kidding yourself, respectfully, and I would just like to add, you have in Connecticut a tribe that is going to make, I think, \$500 million profit—profit—this year. I believe that tribe has 300 members, maybe it has 400, but it has a very small number of members.

I would like to know, when you say they go back and they give the money to themselves and they reinvest, do you think it is appropriate that the 300 people who happen to have lucked out in a sense by having a reservation between Manhattan and Boston—do you think it is appropriate that that money be spent on those 300 people, or do you think maybe, now maybe, that money should be spread for all Indians all over the Nation, many of which don't have the luck of being next to Boston or New York City?

Mr. ABERCROMBIE. It is probably at least as appropriate as all the money that was taken in all the leveraged buyouts and the mergers and all the other kind of activity that took place—

Mr. TRUMP. Right, and put a lot of people to work.

Mr. ABERCROMBIE [continuing]. Among the two or 300 people in New York City over the last decade and a half.

Mr. TRUMP. And put a lot of people to work, sir.

Mr. ABERCROMBIE. So do the casinos.

Mr. TORRICELLI. Mr. Abercrombie, may I respond to your points?

Mr. ABERCROMBIE. Certainly.

Mr. TORRICELLI. I think that as you seek answers to your own questions.

Mr. ABERCROMBIE. I beg your pardon? I am sorry.

Mr. TORRICELLI. As you seek answers in your mind to your own questions, I think there are several things you should keep in mind.

First, we have the reality of an inspector general's report which cites not the theory but fact that Indians themselves are being cheated by management companies and sometimes their own leadership to the tune of millions of dollars.

Second, the principal problem of keeping organized crime off these reservations isn't only one of law enforcement agencies finding them, but in many of these instances it isn't even against the law. There is nothing, per se, against the law for an Indian tribe to go to a company to manage its casinos which has organized crime figures in it; no law is violated, no regulation.

Third, on the question of the compacts, your point would be well taken on the question of the State compacts if everybody had a State compact and those State compacts all provided for what you cited. A third of the reservations have no compacts. Many of the remainder, as in the State of New York, as Mr. Trump cited, reached compacts under the pressure of Federal courts, they did not want to do so, and all of them do not provide for the provisions that you cited.

Therefore, the kind of agreements that you would hope would be in place, on money laundering, on background checks simply, tragically, do not exist.

Mr. ABERCROMBIE. Thank you, Mr. Torricelli. I think that is the reason that we are holding the hearings. I can assure you that this Member is paying close attention to what you are suggesting, is paying close attention to the suggestions from the IRS and the other law enforcement individuals that have appeared before us, and as far as I am concerned, I think if we can address those problems, then maybe many of the contentions now being made will be taken care of.

Finally, let me say for the record that I think that while the passion involved in this discussion to this point is understandable, I think it is a disservice, at a minimum, to the Indian tribes which have come under the gaming law as passed in 1988 to indicate that they would be any less interested in keeping organized crime out, any less capable of making that kind of commitment, and that it is a vestige of a patronizing attitude, not from you, Mr. Torricelli, but a vestige of a patronizing attitude on the part of the general public should they accept Mr. Trump's contention that they are incapable of dealing with this situation, of presumably even wanting to deal with this situation. That I do not think will succeed with this committee, and as far as that is concerned, Mr. Trump—

Mr. TRUMP. I never said that, sir, and I think you know I never said that.

Mr. ABERCROMBIE. If you want to pursue that line of reasoning, if you want to pursue that line of argument with the public, I can guarantee you that it is not going to succeed in this Congress.

Mr. TORRICELLI. I don't think, Mr. Abercrombie, that anybody believes the Indian tribes do not want to keep organized crime off the reservations. They have a greater incentive to keep them off the reservations than any of us have. We understand that. I think it is Mr. Trump's testimony that, given the use of force and intimidation, it is very difficult that, even if known, but largely the problem is that it is not known.

I spoke of the insidious ways that organized crime tried to work its way into Atlantic City. It took an extraordinary effort to expose it. I think it is our combined belief that that is just very hard to do without the resources.

Finally, Mr. Abercrombie, I want to note to you that in what I think is the only bill before the committee dealing generally with the problem of corruption in Indian gaming, my legislation calls completely for equity. I do not eliminate opportunities for Indians, only put all citizens on the same basis with the same regulatory responsibilities and rights, no special advantages, but certainly no discrimination. I would not be a part of discrimination against anyone, and I would invite you to review my legislation. I think you will see it is fair from that perspective.

Mr. ABERCROMBIE. As I indicated, in conclusion, Mr. Chairman and Mr. Torricelli, I am paying close attention to your legislation and will fully take it into account, I can assure you.

Mr. TORRICELLI. Thank you.

Mr. RICHARDSON. The chair recognizes the Minority Member from California, and I would ask that the gentleman from Hawaii chair briefly.

Mr. CALVERT. Thank you, Mr. Chairman.

Mr. Torricelli, as you know, I am from California. We are near another gambling area that is even larger than Atlantic City, Las Vegas. There are lots of people who would like to own a casino in Southern California. I believe 50 cents out of every gambling dollar that goes to Las Vegas, I have been told, come out of Southern California or California. So there is a lot of pressure in California to put Class 3 gaming. At the present time in California we only have Class 1 and Class 2 gaming.

As I understand it, the National Indian Gaming Commission can only regulate Class 2 gaming in California, yet in San Diego we have reservations involved in what anyone would define as Class 3 gaming.

I also understand that no regulation of any kind is taking place on the revenue that is being generated out of that Class 3 gaming. The sourcing for the slot machines, the revenue that is generated from those machine, it is not under the purview of the National Indian Gaming Commission to regulate Class 3 gaming because Class 3 gaming is not allowed in California. So we have a significant problem.

In California also, near my district, in Palm Springs, the Caliente Indians have entered into an agreement with Caesar's

would to build an 80,000-square-foot casino in downtown Palm Springs. There are other major casino operators who are now actively looking around Southern California to get involved in casinos in Southern California believing that they can get into Class 3 gaming.

I am hopeful, because I have talked to the district attorney, and I know our chairman has, and to the governor of the State of California, who is very concerned about Class 3 gaming coming to California, and we want to stop that, and that is one of the reasons that I am supportive of your legislation.

But do you have any comment on that? Why isn't the Federal Government, the FBI, the Justice Department, stopping Class 3 gaming in California if, in fact, it is not allowed?

Mr. TORRICELLI. I think largely, Mr. Calvert, in defense of the FBI, they haven't been given the mandate or even the authority.

It was never the intention of this Congress, in my judgment, it certainly was not the intention of this Member, in an attempt in the Indian Gaming Act to restore equity to Native Americans, to allow them to have the special advantage of operated casinos outside the purview of the law, but indeed that is largely what has happened.

This is something almost unique in American economic history. We created an industry which now we must return to regulate, rather than at its inception devising a regulatory scheme. Whether or not we can do it, I do not know, but it is largely, I think, out of control.

Mr. CALVERT. The big guest problem in California, I think, we have 94-plus Federally-recognized tribes in the State of California, more than any other State in the Nation by a wide, wide margin.

I have listened to the testimony on enforcement. If, in fact, Class 3 gaming to California, which some argue may happen, how are we going to regulate Class 3 gaming in the State of California with 94 Federally-recognized tribes spread throughout the State of California from urban areas to rural areas, with the limited manpower of law enforcement that we have today?

We have a crime bill that is up; we are arguing over dollars to fund that. How are we going to fund regulating 94 Federally-recognized tribes? And, in fact, could that even occur?

Mr. TORRICELLI. Mr. Calvert, the fact is, you are not. The resources would be so vast, the manpower so enormous, it probably is not possible. I think that is part of the testimony that was previously given. In Atlantic City and Las Vegas, we had the advantage of defined geographic areas and a limited number of participants.

We are now, today, discussing 125 Indian gaming establishments. We could well in the next century have a thousand, based on the number of tribes and the applications. The kind of control we have seen in the past simply will not exist in the future.

Mr. CALVERT. Thank you, Mr. Chairman.

Mr. ABERCROMBIE [presiding]. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

In my 19 years on this committee, I don't know when I have heard more irresponsible testimony than I just heard from this panel. You have cast upon the Indian nations of this country a

blanket indictment that organized crime is rampant on their reservations. You have suggested that the corollary to that is that where there are compacts somehow State governments are party to that without their knowledge, in spite of the FBI testimony that this is not a significant problem.

Mr. Trump, in one sentence you say, "They are the most capable of agencies," and that you are not a law enforcement expert, and then you tell us that you have superior knowledge to their knowledge about the extent of organized crime on Indian reservations.

I just find it incredible. This hearing is held for the purposes of recognizing that Indian gaming does present an opportunity to organized crime, to members of the tribe who have larceny in their heart, and to people who do business with them who want to take advantage of them however, and everybody recognizes that.

So to come here and to suggest that you have some additional knowledge of the extent of organized crime beyond what the FBI, the IRS, the Treasury, and others have suggested, and then to suggest the reason you have that is because you know this—you don't know this; you suspect this perhaps, you don't know this, because it is just—you know, it is just not there; it is just not there.

The list of cases that you hold up, a substantial portion, because I can't tell because they come from newspaper reports, are previous to this law when many of these activities were illegal in and of themselves, they were being challenged in court—1985, 1984, 1981.

You tell us that somebody had somebody run their gaming operation on the Barona Rancheria but he couldn't get a license from the Nevada Gaming. We don't know why. We don't know why he was disqualified in Nevada or whether that is grounds for disqualification. It may be. I am not presenting the evidence, you are presenting the evidence.

But you are suggesting that each an every one of these cases indicate organized crime, that they indicate a lack of sophistication. In fact, many of these cases were brought because the Indian tribes themselves went to law enforcement agencies. They discovered they were being duped, you know, and to equate them—to equate them now with an industry in New Jersey or Nevada, you know, to the tune of hundreds of millions of dollars in the month—what did you take in September, \$200 and some million in New Jersey? We are all aware of this.

Mr. Trump, you are quite wrong. They have every right to go to the FBI, the U.S. attorney, the Treasury Department. We have Federal trust relationships which give them direct access.

Mr. TRUMP. They didn't in these cases, sir.

Mr. MILLER. You don't know that.

Mr. TRUMP. Well, they are cases, they are convictions. You can go and get the case number.

Mr. MILLER. The Rincon case was brought by the tribe, one faction of the tribe that said, "We are being ripped off by another faction of the tribe, and they are trying to get organized crime in here." They went.

Mr. TRUMP. We have got many cases. Sir, we have got many cases in here. I don't think you have seen them.

Mr. MILLER. I am sure you do. There are many cases in your industry where you didn't go, law enforcement came through the door

before you went through their door. But are we going to have a blanket indictment of all casino owners? As a politician, you know, I am kind of sensitive to the word "all."

Mr. TRUMP. I certainly never said that, and I certainly don't appreciate the fact that you are putting words in my mouth because it is incorrect, and I have great respect for the Indians, and if I were—and if I were running a reservation and was under the auspices of this ridiculous Act that was passed, I would have the same difficulty as the Indians keeping organized crime out, I, me. So that is not a blanket—

Mr. MILLER. When you don't know—you don't know.

Mr. TRUMP. Excuse me, sir. That is not a blanket indictment of anybody.

Mr. MILLER. You don't know that they are having a difficulty.

Mr. TRUMP. Well, you can't know when you have no FBI agents assigned to the Indian reservations, sir.

Mr. MILLER. You don't have any FBI agents assigned to you.

Mr. TRUMP. Oh really? How many FBI agents are in Las Vegas right now? How many FBI agents are assigned to Atlantic City? Why didn't you ask that question?

Mr. MILLER. Why are they there, Mr. Trump? They are there because they think there is organized crime.

Mr. TRUMP. They are there to stop crime. So why aren't they there with respect to the Indian reservations?

Mr. MILLER. Because they believe that your industry is attractive to organized crime.

Mr. TRUMP. Look, you have got a totally closed mind on the subject, sir.

Mr. MILLER. No, no, no, I don't, Mr. Trump.

Mr. TRUMP. We could walk in here with the greatest proof in the history of the world, and frankly, your mind is so closed, for whatever reason, that I can't believe it.

Mr. MILLER. But you don't have them? You don't have them?

Mr. TRUMP. If you really want to study this, when you tell me that there are no FBI agents assigned to the Indian reservations and yet you have tremendous numbers in Las Vegas and Atlantic City—tremendous numbers, in fact, two of their largest places—I want to tell you something, you have a long way to go, and, for whatever reason, you have a closed mind. I don't know why. Perhaps you could tell me.

Mr. MILLER. No, Mr. Trump. I have a closed mind against evidence that is not substantiated. I have a closed mind against statements that are made about other people in generalities.

Mr. TRUMP. You are going to be very embarrassed in two years, sir.

Mr. MILLER. I have a closed mind if you go on a radio show and you say, "Now some drunken Indians want to come down here and open a reservation."

Mr. TRUMP. I didn't say that, sir. Quote it. I didn't say that. Who said that? Who said that? I would like an apology right now, because I didn't say that.

Mr. MILLER. Imus opened the broadcast—excuse me, Mr. Imus said that.

Mr. TRUMP. Okay. Could I please have an apology?

Mr. MILLER. You can have an apology.

Mr. TRUMP. Thank you, sir.

Mr. MILLER. Is this you discussing Indian blood: "We are going to judge people by whether they have Indian blood," whether they are qualified to run a gaming casino or not?

Mr. TRUMP. That probably is me, absolutely, because I'll tell you what, if you look—if you look at some of the reservations that you have approved—you, sir, in your great wisdom, have approved—I will tell you right now, they don't look like Indians to me, and they don't look like Indians. Now maybe we say politically correct or not politically correct. They don't look like Indians to me, and they don't look like Indians to Indians, and a lot of people are laughing at it, and you are telling how tough it is, how rough it is, to get approved. Well, you go up to Connecticut, and you look. Now, they don't look like Indians to me, sir.

Mr. MILLER. Thank God that is not the test of whether or not people have rights in this country or not, whether or not they pass your look test.

Mr. TRUMP. Yes. It depends whether or not you are approving it, sir.

Mr. MILLER. No, no, it is not a question of whether I am approving it. It is not a question of whether I am approving it.

Mr. Trump, do you know in the history of this country where we have heard this discussion before: "They don't look Jewish to me."

Mr. TRUMP. Oh really?

Mr. MILLER. "They don't look Indian to me." "They don't look Italian to me." And that was the test for whether people could go into business or not go into business, whether they could get a bank loan: You are too black; you are not black enough.

[Transcript of Imus broadcast follows:]

RADIO TV REPORTS

NATIONAL MARKET COVERAGE

TRANSCRIPT

New York 212-309-1400
 Chicago 312-341-2020
 Detroit 313-344-1177
 Los Angeles 213-466-6124
 Washington, D.C. 301-455-4008
 Ramsey 617-536-7232
 Philadelphia 215-567-7600
 San Francisco 415-466-6124
 Miami 305-358-3358

STATION WFAN-AM

PROGRAM IMUS IN THE MORNING CITY NEW YORK

DATE 06/18/93 08:30AM AUDIENCE

SUBJECT DONALD TRUMP

BROADCAST EXCERPT

DON IMUS: It's 8:30 exactly here at WFAN in New York, and here with us now, Donald Trump. Good morning, Donald.

DONALD TRUMP: How you doing, Don?

IMUS: I'm fine. How are you?

TRUMP: I'm very good. Thanks.

IMUS: So what is this now? A bunch of these drunken Injuns want to open a casino down there in New Jersey?

TRUMP: Well, it's a battle that we're fighting and I think it's being successfully fought. A lot of the reservations are being, in some people's opinion, at least to a certain extent run by organized crime and organized crime elements, as you can imagine. There's no protection. There's no anything. And it's become a joke. It's become a laughing joke. And the politicians around 1987 passed a law where the Indians can have virtually unsupervised casino gaming. So we're in there fighting it and I think we're making a lot of progress. I think you'll see some very major things happening over the next couple of months.

IMUS: In your mind, is there any legitimacy in them being allowed to have casinos in states where there aren't now casino, like say Connecticut?

TRUMP: I think it's up to the states. I mean, one of the things we did is bring a lawsuit and say it's states' rights. As an example, Governor Cuomo in New York didn't want to have the Indians having casinos. The churches didn't want it. It knocks out the bingo. It knocks out the charities. It knocks out a lot of other things. So what they did is they filed suits and they filed everything else. Ultimately, the Governor of New York was forced to pass this horrendous situation that's taking place in upstate New York. I think it's going to be changed and I think

*While Radio TV Reports endeavor to ensure the accuracy of material supplied by it, it cannot be responsible for mistakes or omissions.

*Material supplied by Radio TV Reports may be used for file and reference purposes only. It may not be reproduced, sold or publicly demonstrated or exhibited.

- 2 -

it's going to be changed fairly quickly, Don,

IMUS: So will Indians be allowed to open casinos here in New York?

TRUMP: I think it's going to be unlikely within the next year.

IMUS: Okay. This is just my opinion, but I don't think it makes sense to anybody to have Indians operate casinos in New Jersey.

TRUMP: General George Custer was against it also and looked what happened to him.

IMUS: But in New Jersey -- obviously you have three casinos -- you already have casinos.

TRUMP: Right, but the difference is I pay taxes. The Indians aren't paying any taxes. The Indians aren't putting anything back into what's happening. The funny thing is Cuomo was forced to put -- and now all of a sudden they send him certified letters, "We want bridges."

They call it the sovereign nation. They call it a nation, this great sovereign nation, the Indian tribes. All of a sudden, it's nations.

Before it wasn't a nation, before gambling. Now it's this great sovereign nation. We protect, we do this, we do that, but when it comes to gambling, it's a sovereign nation.

So it's really a double standard and no taxes are paid. No supervision's there, tremendous crime, and most of the Indians don't want it themselves. The leaders -- you know, all chiefs and no Indians, and the leaders want it for the obvious reason, but I think it's something that's going to end or is certainly going to be supervised very, very stringently.

IMUS: Would there be any reason, if push comes to shove, for you to become a member of these tribes?

TRUMP: Well, I think if we lost various things, I would perhaps become an Indian myself.

IMUS: You know, do one of those Robert Bly deals.

TRUMP: Well, I think I might have more Indian blood than a lot of the so-called Indians that are trying to open up the reservations.

I looked at one of them -- well, I won't go into the whole

- 3 -

story, but I can tell you, I said to him, "I think I have more Indian blood in me than you have in you." And he laughed at me and he sort of acknowledged that I was right, but it's a joke. It's really a joke.

IMUS: A couple of these Indians up in Connecticut look like Michael Jordan, frankly.

TRUMP: I think if you've ever been up there, you would truly say that these are not Indians. One of them was telling me his name is Chief Running Water Sitting Bull, and I said, "That's a long name." He said, "Well, just call me Ricky Sanders." So this is one of the Indians.

I'll tell you, they got duped in Washington and it's just one of those things that we have to straighten out. It's the neverending problem of --

IMUS: having to straighten things out.

TRUMP: One of the big things that I'm working on is sports betting in New Jersey and we have a man over there named Chuck Hytlan who turns out to be a disaster for the people of New Jersey because this would mean tremendous taxes and tax revenues. I don't know what happened with the bookies or whoever. I don't know who spoke to Hytlan. I have no idea, but he's single-handedly -- he's a Speaker and he's got some power over there, at least now, and he's single-handedly stopping sports betting, and everybody in New Jersey wants it and it's disgraceful and it's a great opportunity for Atlantic City. It's a great opportunity for New Jersey.

And the senior citizens and New Jersey will get tremendous tax revenues from it. So for all of you folks that know Speaker Chuck Hytlan, call him up and blast the hell out of him.

IMUS: Well, our opposition on sports betting is as long as the players get to bet, they might as well let the fans, you know?

TRUMP: Well, the players bet. That's absolutely true. And I'm sure it'll probably increase the ratings of your particular station quite a bit if they had sports betting in New Jersey.

IMUS: It's not that I want to be like Mike. It's I want to bet like Mike.

TRUMP: Yeah, right. Maybe you don't want to bet like Mike.

- 4 -

IMUS: Maybe I can win once in a while. What else is new with you?

TRUMP: Nothing. Things are going great. We're just in the process of doing some incredible things. Trump Plaza's doing something great and the hotels in Atlantic City have done record-setting business. The Taj Mahal, when they thought Trump was finished, "Trump is over. He's history," and everything, I was opening up the Taj Mahal and they said it could never do the kind of numbers projected, and it's doing substantially greater than anything ever projected. So it's really become the success of the industry.

IMUS: You sound like a Trump P.R. guy, but you netted 14 million dollars or something last month.

TRUMP: We made a gross operating profit of 14 million dollars, which was twice what the projections were at their highest, and they won 41 million dollars last month at the Taj Mahal. And the other casinos are doing proportionately -- they're much smaller, but proportionately equally as well.

IMUS: What's the status with your marriage? Are you still getting married?

TRUMP: Oh, I'm doing great. It's really fantastic.

IMUS: Yeah, but are you getting married?

TRUMP: That might be the most difficult question you've asked me so far. See, the Indian problem is a much simpler problem. That can be solved.

IMUS: Maybe you can have one of those traditional tribal ceremonies.

TRUMP: That's right. Maybe that would be the best way to do it. That way, it wouldn't be an authorized marriage. Therefore, I could claim marriage without any of the liabilities, right?

IMUS: That's what I was going to say.

TRUMP: "What are you talking about? I never got married."

IMUS: "I gave her some beads and that was basically about it."

TRUMP: "I can get sued for nine billion dollars, but what do you mean? The marriage is forget it. I have a great relationship."

- 5 -

IMUS: It's a work in progress.

TRUMP: Huh?

IMUS: It's a work in progress.

TRUMP: It's a work of art in progress.

IMUS: That's right, a work of art in progress.

TRUMP: That's exactly correct. How are you doing on your social front? Do you have a new beautiful girlfriend yet?

IMUS: Well, you know, they come and they go.

TRUMP: At least with you, I know it's definitely a girlfriend, okay?

IMUS: At this point, yeah.

TRUMP: With a lot of people, we don't know.

IMUS: Donald, always nice to talk with you. Good luck and many moon come Choctaw.

TRUMP: Thank you very much. Bye.

IMUS: It's 8:36, 24 till 9:00, Imus in the Morning.

Torricelli gambling bill a prize-winning insult

With Father's Day almost upon us, the judges are taking nominations for Father of the Year. Benevolent Great White Father of the Year, that is.

I suggest Rep. Robert Torricelli.

The Englewood Democrat on Wednesday introduced a bill aimed at giving states more power to limit gambling operations run by American Indian tribes. It was immediately denounced by the head of the National Indian Gaming Association as "economic racism."

But racism, economic or otherwise, by itself is not enough to get you the BGWFOTY Award. For that, you must include patronizing and paternalistic justifications. You have to literally add insult to injury.

And so, beyond worrying about competition for Atlantic City and being concerned about organized crime (non-benevolent white fathers) using the tribal casinos as money-laundering fronts, Great White Father-nominee Bob, and the Nevadans sponsoring the Senate version of the bill, are motivated by concern for the Indian people themselves.

"Casino gambling is the cultural genocide of Native Americans," Torricelli said in announcing the bill. "This will destroy what remains of the Native American culture."

On what authority does he say this? I asked Torricelli on Friday.

"We are repeating what we are getting from Indians themselves" — Indians who work in reservation schools and health-care clinics — he responded.

The reservations were established by the U.S. government to preserve the Indian way of life, Torricelli said, not "to become islands of casino gambling free of taxes or government regulation or law enforcement."

"This isn't an answer for the economic problems of the Indians," he told me.

Does anyone second the nomination?

"It's the back-door approach — you know, killing with

Chief Ronald "Red Bone" Van Dunk. The chief is trying to steer clear of the gambling question as his tribe, whose members live in North Jersey and southern New York, pursues its quest for federal recognition. But he was so moved by the congressman's concern for his people and their culture that he had to respond.

"They're going to help the poor Indians — by not

letting them do anything to enhance their livelihoods," the chief said. "Like they helped them out there in Arizona, when they found gold. Helped them right off the land."

"That is probably one of the most ridiculous things I've ever heard," says Tim

Giago, an Oglala Sioux who is publisher of Indian Country Today, a national newspaper based in Rapid City, S.D., near the Pine Ridge reservation, where tribal business, worship, and the like are conducted in the native language and where the culture is holding its own despite centuries of help from Great White Fathers.

"Just the opposite is true," Giago says. "Where does the money from tribal casinos go? It goes into scholarships for our students, retirement funds for our elderly people. It goes into buying back the land, to support the Indian colleges — which is where the language and the culture is taught."

To make Indian-run gaming subject to the control of individual governors, Giago says, is like "putting the fox in charge of the henhouse."

Who's right about tribal casinos? Seems like that should be up to the tribal councils to decide.

Anyway, back to the nomination. Torricelli's statement, Giago says, "is very paternalistic."

Exactly what the BGWFOTY judges are looking for.



LISA B. BAIRD

NORTH JERSEY 80s

Benjamin Franklin 5/10/93

The wrong way to fight competition

Editor, The Record:

I was quite dismayed by recent articles about Donald Trump wanting to open an amusement park in the meadows and his fight against the American Indians operating their own casinos.

Trump is crying that if casinos open up in New York State and Connecticut, places such as the Catskills would put Atlantic City out of business. Trump is obviously afraid of a little (native) American competition, and lacks creative investing ideas. Trump should put his efforts into making Atlantic City more appealing to tourists instead of fighting the Native Americans. Here are some suggestions:

- Instead of opening an undersized amusement park in a overcrowded area, build an amusement park that rivals Disney World in Atlantic City.
- Buy a professional sports franchise and locate it in Atlantic City. For example, if the Nets moved to Atlantic City, the casinos could lure visitors by giving out complimentary tickets. It would also benefit the sports franchise because the team would always be playing in front of a packed house.
- Try producing television shows in front of a live audience. If the show is a hit, people would be flocking at the opportunity to watch the taping, much as they do for Saturday Night Live, Late

Night with David Letterman, and the old Cosby show. Trump should put his energies in making Atlantic City the vacation capital of the country.

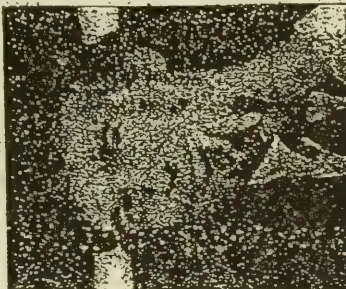
LAWRENCE H. MADNICK
Fort Lee

Editor, The Record:

It was interesting to see that Donald Trump recently filed a lawsuit against the Indians in federal court in Newark. Trump is angry because the Indian Gaming Act allows tribes to run casinos on their reservations without state interference. Trump does not like the competition.

It is more than ironic to hear Trump call the gaming act "unfair." He talks about wanting to "level out the playing field," but Trump has never been on a level playing field in his life. Trump knows nothing about fairness, because fairness is not good business, at least not Trump's kind of business.

While I am not a gambling man, I would bet that Trump has never ventured onto an Indian reservation. If he did, and he could hear to be away from his limousine long enough, he would find levels of poverty unparalleled in America. Unfortunately,



DONALD TRUMP ticks all the boxes for these undesirable conditions. He has forced many Indian tribes to consider bringing gambling to their reservation. He has created Indian tribes like separate nations and they are entitled to make their own decisions about their future. Trump would do well to remember that every square inch of soil that his wingtips touch was stolen from the Indians.

THOMAS J. BALLANCO
Montvale

Bergen Record

20 May 1993

Mr. TRUMP. I want to find out—well, then, why are you approving—you are approving for Indian. Why don't you approve it for everybody then, sir? If your case is nondiscriminatory, why don't you approve for everybody? You are saying only Indians—wait a minute, sir. You are saying only Indians can have the reservations, only Indians can have the gaming. So why aren't you approving it for everybody? Why are you being discriminatory? Why is it that the Indians don't pay tax but everybody else does? I do. Why is it that I pay tax? Why is it that senior citizens get tremendous benefits from the taxes that a certain industry does but the Indians aren't contributing to that? Why aren't the Indians—excuse me, sir. Why aren't the Indians that are making all the money in Connecticut, which is the most successful of the Indian reservations—why aren't they spreading the wealth with the other Indians, sir? Why don't you do something for the other Indians that are living in total poverty? Because—you know why? Because their reservation is too far away—

Mr. ABERCROMBIE. Mr. Trump, if you will give the chairman a chance to answer your questions, I am sure he will.

Mr. TRUMP. I am sure he will, absolutely.

Mr. ABERCROMBIE. Well, don't ask the questions if you don't want an answer.

Mr. TRUMP. I think I know the answer from him.

Mr. MILLER. Well, no, no. Let's go through it.

Mr. TRUMP. Why don't they spread the wealth? That is the question.

Mr. MILLER. Mr. Trump—

Mr. TRUMP. Why don't they spread the wealth?

Mr. MILLER. Mr. Trump—Mr. Trump, it is my time.

Mr. ABERCROMBIE. Mr. Trump, the chairman has the time now.

Mr. MILLER. Mr. Trump, why don't the Indians spread the wealth to the other Indian nations that don't have gambling when they don't have a responsibility to? You cite that one of the great benefits is that New Jersey senior citizens can get prescription drugs at \$5. What about the Pennsylvania senior citizens that leave their money in New Jersey? What about the Washington, D.C., senior citizens that leave their money in New Jersey, the people from New York and Connecticut, the people you are there to attract? What about all of our constituents from California that go to Nevada and leave their money there? Why don't they get \$5 prescriptions?

Because you don't have a legal obligation to do so. You did so because you wanted gaming to come to New Jersey. This was a negotiated agreement. The Connecticut agreement is a negotiated agreement between the State of Connecticut and the tribe in Connecticut.

Mr. TRUMP. Hardly negotiated, sir. It was really forced down people's throats, wouldn't you say?

Mr. MILLER. Okay, now, let's—

Mr. TRUMP. Do you think Governor Weicker—do you think Governor Weicker—do you think Governor Weicker considers that a negotiated agreement, sir?

Mr. ABERCROMBIE. Mr. Trump, let—

Mr. TRUMP. Wasn't that forced down his throat?

Mr. ABERCROMBIE. Mr. Trump—

Mr. MILLER. Mr. Trump—

Mr. ABERCROMBIE. Mr. Chairman and Mr. Trump, you asked a series of questions. The chairman is going to give you the answers. If you would kindly let him complete the answer, then you can go on. After this colloquy, then I am going to move ahead. We have other panels here.

Mr. MILLER. You asked the other question, why did the Indians get the reservations?

Mr. TRUMP. I didn't ask that question.

Mr. MILLER. Well, you said why do we discriminate?

Mr. TRUMP. No. I said—I didn't ask that question.

Mr. MILLER. Okay. You ask the question again.

Mr. TRUMP. Do you want me to ask another question?

Mr. MILLER. No. Ask that question you asked.

Mr. TRUMP. I said to you, you have a group of Indians, I think, that has a reservation in Connecticut that is making, I believe, perhaps in excess of \$500 million. There are a total of 400 people or 300 people, or a very small amount of people in that particular tribe. To make \$500 million for 300 people, I ask you—and this is a Federal pact, this is done with the auspices of your office and allowed through the auspices of your office—why isn't that wealth, if you are so concerned, sir, about the Indians, which I think you should be, and I think it is a great concern—if you are so concerned with the impact and the welfare of the Indians, why do you allow 300 people to make \$500 million? Why don't you say that that money has to be distributed around so that other people can be helped, so that medical care in other locations in the United States, where you have Indians that are truly living in poverty, so that they can be taken care of? How can you allow this to happen?

And what we are really doing, and getting off the subject—you know and I know that this is going to blow.

Mr. MILLER. No, Mr. Trump, I don't know that.

Mr. TRUMP. Oh, you don't know it?

Mr. MILLER. No.

Mr. TRUMP. Well, I'll tell you what, I'll see you in about two years, and we will see who is right, sir.

Mr. MILLER. Well, let's go down that—just for a second, Mr. Chairman.

Mr. Calvert said—what did you say, Caesar's, is looking for a management agreement? You have tried to get a management agreement—

Mr. TRUMP. I have not.

Mr. MILLER. You have not?

Mr. TRUMP. I have not.

Mr. MILLER. Your corporation hasn't—

Mr. TRUMP. I have not, sir. That will be your second apology, I hope. I have not tried.

Mr. MILLER. Well, I have a letter here from Mr. Bunce who talks about your various contacts regarding the possibility of your involvement in a venture, the Agua Caliente, and I will—

Mr. TRUMP. Mr. Who?

Mr. MILLER. Mr. Bunce, in his capacity as legal counsel. I will enter this into record.

[The information follows:]

AFFIDAVIT

STATE OF CALIFORNIA)
)
 COUNTY OF RIVERSIDE)

Richard M. Milanovich, being first duly sworn on his oath, deposes and states as follows:

1. I am now, and at all relevant times mentioned herein have been, the duly-elected and serving Chairman of the Tribal council of the Agua Caliente Band of Cahuilla Indians (hereinafter, the "Tribe"). The Tribe is a federally-recognized Indian tribe whose federal Indian reservation is located in and around Palm Springs in Riverside County, California.

2. This Tribe has not yet offered or engaged in any form of gaming (other than Class I traditional gaming). The membership of the Tribe voted in January of 1992 to direct the Tribal Council to enact an ordinance for the conduct of Class II and Class III gaming for the benefit of all Tribal Members. The Tribal Council solicited proposal for this purpose in mid-1992, screened them, interviewed prospective operators, and selected a subsidiary of Caesars World, Inc. for this purpose in August of 1992. After considerable negotiation, the Tribe entered into a management agreement with this subsidiary in July of 1993, and has submitted it to the National Indian Gaming Commission in August of 1993, along with a gaming ordinance, for its approval.

3. Prior to early February of 1993, I had had no dealings or contact of any kind with Donald Trump or his organization.

4. In early February of 1993, I received one or more telephone calls from Mr. Donald Trump at the Tribal Office. I have

no record of them because I was in and took the call, rather than ^{2.M.M} receiving a written message. Mr. Trump told me that he was ^{GOING TO BE} in town for the Bob Hope Desert Classic Golf Tournament, and that he wanted to stop by the Tribal Office to see me. I agreed to such a meeting.

5. Mr. Trump appeared at the Tribal Office at about 5:00 p.m. on a day which I believe was probably February 11 or 12, 1993. He met with me, then Vice-Chairman Mildred Browne, and then Secretary Ray L. Patencio. The meeting lasted 30-45 minutes.

6. At this meeting, Mr. Trump stated to us that he was well aware of this Tribe's previous announcement that it was negotiating a management agreement with Caesars World, Inc. for a tribal gaming facility to be located on the Agua Caliente Indian Reservation in or near Palm Springs, California. He asked if any final agreement had been reached because, if none had been reached, then he would like to discuss the possibility of such a venture between the Agua Caliente Band and his organization. He described his and his organization's experience in gaming, and told us how his political and other connections could cut through bureaucratic red tape to gain the necessary approvals quickly for such a venture.

7. Our answer to him was essentially thanks, but no thanks. We explained that, although no such final agreement between the Agua Caliente Band and Caesars World, Inc. had been reached, such an agreement was currently being negotiated. As long as we were bargaining with Caesars World, Inc. we felt we were obligated to see that process through, rather than considering any other operator, although we might be willing to discuss such a

relationship with others if and when negotiations with Caesars World, Inc. fell through.

8. Mr. Trump's response was cordial. He said he understood our position and asked us to keep him in mind if our dealings with Caesars World, Inc. reached an impasse. We told him that we would. He then left.

9. On February 22, 1993, at 3:40 p.m., at the Tribal Office, Mr. Trump called me. I was not in at the time. My secretary took a telephone message, asking me to return Mr. Trump's call at 212-308-7868 or 212-832-2000, and to ask for Rona. A copy of this telephone message is attached as Exhibit A.

10. During March of 1993 there was at least one other telephone conversation to me at my home in Palm Springs from Mr. Trump in New York, but I cannot locate any confirming documentation regarding it at this time.

11. On March 25, 1993, at 11:12 a.m., Mr. Scott Kasen, Director of Special Projects for the Trump Organization, called me at the Tribal Office. I was not in, but my secretary took a message to the effect that Mr. Trump had asked him to call me. A copy of this telephone message is attached as Exhibit B.

12. As an apparent follow-up to this call, Mr. Kasen wrote a letter to Tribal Secretary Ray L. Patencio, dated March 26, 1993. It arrived on March 29, 1993 by DHL Courier Service. Copies of the letter and the shipping label are attached as Exhibits C and D. The point of this letter was, as it states in its third paragraph:

It is no secret as to why I telephoned. I called you to express Mr. Trump's interest in working with the Agua Caliente Band of Cahuilla Indians to construct and operate a first class casino on the tribe's reservation.

13. I returned this call by calling Mr. Kasen at 212-832-2000 at 1:59 p.m. on March 30, 1993. A copy of the Tribe's telephone bill for this call is attached as Exhibit E. The call was short, because I just repeated our previous position.

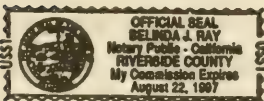
14. Mr. Kasen followed up this call by a letter to me, dated March 31, 1993. A copy of it is attached as Exhibit F. In it, Mr. Kasen repeats the desire of the Trump Organization to discuss a gaming project on the Agua Caliente Indian Reservation if our negotiations with Caesars World, Inc. fail. He also asked for the names of other tribes that might be interested in such a venture. We did not reply to this letter.

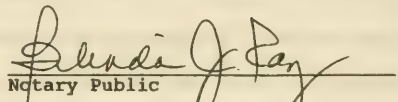
15. On April 8, 1993 Mr. Kasen sent a message to me by FAX. A copy of it is attached as Exhibit G. The message was, "Please call me when the negotiations stall."

16. On April 21, 1993, at 3:15 p.m., I received another call from Mr. Kasen. I was not in, but my secretary took a message to "Call next week." A copy of this telephone message is attached as Exhibit H. That was the last contact that I had with Mr. Trump or his representatives.


Richard M. Milanovich, Chairman

Subscribed and sworn before me on October 15, 1993 at
Palm Springs, California.




Notary Public

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No 519C

State of CaliforniaCounty of RiversideOn 10-15-93

DATE

before me,

Belinda J. Ray

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

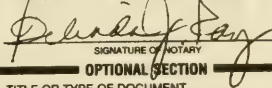
personally appeared

Richard M. Milanovich

NAME(S) OF SIGNER(S)

☒ personally known to me - OR - ☐ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



SIGNATURE OF NOTARY

OPTIONAL SECTION

OPTIONAL SECTION

CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

☐ INDIVIDUAL☐ CORPORATE OFFICER(S)

TITLE(S)

☐ PARTNER(S) ☐ LIMITED☐ GENERAL☐ ATTORNEY-IN-FACT☐ TRUSTEE(S)☐ GUARDIAN/CONSERVATOR☐ OTHER: _____

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:

TITLE OR TYPE OF DOCUMENT _____

NUMBER OF PAGES _____

DATE OF DOCUMENT _____

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

SIGNER(S) OTHER THAN NAMED ABOVE _____

OCT-13-93 WED 13:12

AGUA CALIENTE TRIBAL OFC

FAX NO. 6193250593

P. 02

PHONE MEMO	TO	Debra	DATE	2/22	TIME	11:45	AM	PM
	FROM	Tom Davis	AREA CODE					
	OF		NO.					
	EXT.							
MESSAGE	Cathedral City Agenda is available. Wants you to have it faxed over. He's on his way here now.							
	SIGNED							TM
	PHONED	<input checked="" type="checkbox"/>	CALL BACK	<input type="checkbox"/>	RETURNED CALL	<input type="checkbox"/>	WANTS TO SEE YOU	<input type="checkbox"/>
	WILL CALL AGAIN	<input type="checkbox"/>	WAS IN	<input type="checkbox"/>	URGENT	<input type="checkbox"/>		

PHONE MEMO	TO	RMM	DATE	2/22	TIME	3:40	AM	PM
	FROM	Donald Trump	AREA CODE					
	OF		NO.	(212) 308-7868				
	EXT.	(212) 832-2000						
MESSAGE	ask for Rona							
	SIGNED							TM
	PHONED	<input checked="" type="checkbox"/>	CALL BACK	<input checked="" type="checkbox"/>	RETURNED CALL	<input type="checkbox"/>	WANTS TO SEE YOU	<input type="checkbox"/>
	WILL CALL AGAIN	<input type="checkbox"/>	WAS IN	<input type="checkbox"/>	URGENT	<input type="checkbox"/>		

PHONE MEMO	TO	RMM	DATE	2/23	TIME	9:30	AM	PM
	FROM	Tony Sparan	AREA CODE					
	OF		NO.					
	EXT.							
MESSAGE	RE: Artifact he found							
	SIGNED							TM
	PHONED	<input checked="" type="checkbox"/>	CALL BACK	<input type="checkbox"/>	RETURNED CALL	<input type="checkbox"/>	WANTS TO SEE YOU	<input type="checkbox"/>
	WILL CALL AGAIN	<input checked="" type="checkbox"/>	WAS IN	<input type="checkbox"/>	URGENT	<input type="checkbox"/>		

PHONE MEMO	TO	Renona	DATE	2/23	TIME	9:55	AM	PM
	FROM	Eileen	AREA CODE					
	OF		NO.	327-6648				
	EXT.							
MESSAGE								
	SIGNED							TM
	PHONED	<input checked="" type="checkbox"/>	CALL BACK	<input checked="" type="checkbox"/>	RETURNED CALL	<input type="checkbox"/>	WANTS TO SEE YOU	<input type="checkbox"/>
	WILL CALL AGAIN	<input type="checkbox"/>	WAS IN	<input type="checkbox"/>	URGENT	<input type="checkbox"/>		

Agner Standard Line

Agner Standard Line

Agner Standard Line

Agner Standard Line

Agner Standard Line

OCT-13-93 WED 13:12

AGUA CALIENTE TRIBAL OFC FAX NO. 6193250593

P. 03

PHONE MEMO

TO: *Mr. [unclear]*

FROM: *Mr. Melanovich*

OF: *Said hello*

MESSAGE

SIGNED: *[Signature]*

PHONED ☐ CALL BACK ☐ RETURNED CALL ☐ WANTS TO SEE YOU ☐ WILL CALL AGAIN ☐ WAS IN ☐ URGENT ☐

PHONE MEMO

TO: *Rmm*

FROM: *[unclear]*

OF: *Your book keeper*

MESSAGE

SIGNED: *[Signature]*

DATE: *8/25/93* TIME: *11:27* AM ☐ PM ☐

AREA CODE: *323-7475*

NO. *323-7475*

EXT. *323-7475*

PHONED ☐ CALL BACK ☐ RETURNED CALL ☐ WANTS TO SEE YOU ☐ WILL CALL AGAIN ☐ WAS IN ☐ URGENT ☐

PHONE MEMO

TO: *[unclear]*

FROM: *[unclear]*

OF: *[unclear]*

MESSAGE

SIGNED: *[Signature]*

DATE: *8/25/93* TIME: *11:09* AM ☐ PM ☐

AREA CODE: *[unclear]*

NO. *[unclear]*

EXT. *[unclear]*

PHONED ☐ CALL BACK ☐ RETURNED CALL ☐ WANTS TO SEE YOU ☐ WILL CALL AGAIN ☐ WAS IN ☐ URGENT ☐

PHONE MEMO

TO: *Rmm*

FROM: *Scott Kasen*

OF: *Trump Organization*

MESSAGE

SIGNED: *[Signature]*

DATE: *8/25/93* TIME: *11:12* AM ☐ PM ☐

AREA CODE: *[unclear]*

NO. *832-2000*

EXT. *212*

PHONED ☐ CALL BACK ☐ RETURNED CALL ☐ WANTS TO SEE YOU ☐ WILL CALL AGAIN ☐ WAS IN ☐ URGENT ☐



26 March 1993

Mr. Ray Leonard Patencio
 Agua Caliente Band of Cahuilla Indians
 960 East Tahquitz Canyon Way, #106
 Palm Springs, California 92262

Dear Ray:

Mr. Trump asked me to telephone you and introduce myself.

I am sorry that we did not have a chance to talk, however, I understand you desire to avoid any potential conflicts of interest since you are no longer on the Tribal Council.

It is no secret as to why I telephoned. I called you to express Mr. Trump's interest in working with the Agua Caliente Band of Cahuilla Indians to construct and operate a first class casino on the tribe's reservation.

The Trump Organization is the largest company in the gaming industry, and we are the only hotel and casino operator to achieve a four-star property rating. Not only are we the only company to achieve a four-star rating, we were able to achieve this rating at each one of our three hotel and casino properties.

I would like to invite you, Richard Milanovich and Mildred Browne to New York and Atlantic City so that you can experience first-hand why Mr. Trump and The Trump Organization possess the skills, experience and resources necessary to make the Agua Caliente's casino the West Coast's finest.

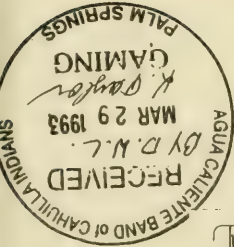
I will call you to make the appropriate arrangements for your visit.

Warm regards

Scott G. Kasen
 Director of Special
 Projects

THE TRUMP ORGANIZATION

725 FIFTH AVENUE - NEW YORK, N.Y. 10022 212-832-2000 TELEX -427715



DHL AIRWAYS, INC. © 1988 (HEV 1989) • 333 TWIN DOLPHIN DRIVE, REDWOOD CITY, CA 94065

6946 0833

ORIGIN TSS	DESTINATION ONT
3 PIECES	2 WEIGHT
PP	
6 SERVICES DOCUMENT <input checked="" type="checkbox"/> EXPRESS <input checked="" type="checkbox"/> WORLDWIDE PACKAGE EXPRESS <input checked="" type="checkbox"/> INTERNATIONAL <input type="checkbox"/> WORLDMAIL <input type="checkbox"/> 1st CLASS <input type="checkbox"/> SATURDAY SERVICE <input type="checkbox"/> 2nd CLASS <input type="checkbox"/> INSURANCE EMP. AMOUNT <input type="checkbox"/> 1st CLASS <input type="checkbox"/> PROOF OF DELIVERY <input checked="" type="checkbox"/> 1st CLASS <input type="checkbox"/> <input type="checkbox"/> OTHER	
CHARGES	
TOTAL	



6 2 6 0 0 2 3 4 4

FORWARDER AIRBILL - NON NEGOTIABLE

PP**5 RECIPIENT (COMPANY NAME)**

MR. RAY PATENCIO
 AGUA Caliente Band of Cahuilla Indians
 960 EAST Takevitz Company
 Palm Springs, Calif
 92262 619-325-5673

4 SENT BY (COMPANY NAME)

TRUMP ORGANIZATION
 24TH FLOOR
 725 5TH AVENUE
 NEW YORK NY
 10022 212 832 2929

7 DESCRIPTION OF CONTENTS**DIMENSIONS****UNUSUAL CHARGES/WEIGHT****8 COMPLETE FOR WORLDWIDE PACKAGE EXPRESS (INTERNATIONAL DUTYABLE SHIPMENTS)**

DECLARED VALUE FOR CUSTOMS (SPECIFY CURRENCY)

SHIPPER'S EIN, SSN OR VAT NUMBER

EXPORT LICENSE NUMBER, SYMBOL

IMPORT CHARGES☐ RECEIVER ☐ SHIPPER

CHARGE TO

DHL'S TERMS AND CONDITIONS OF CARRIAGE

ALL SERVICES PROVIDED BY DHL ARE SUBJECT TO THE TERMS AND CONDITIONS ON THE REVERSE SIDE OF THE SHIPPER'S COPY OF THE AIRBILL. THE SHIPPER'S COPY OF THE AIRBILL IS THE ONLY VALID DOCUMENT FOR THE SHIPPER'S COPY OF THE AIRBILL. THE SHIPPER'S COPY OF THE AIRBILL IS THE ONLY VALID DOCUMENT FOR THE SHIPPER'S COPY OF THE AIRBILL.

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

SHIPPER'S SIGNATURE DATE 3.26.93

INSTRUCTIONS:

1. Shipper to fill out this form
 2. Shipper to fill out this form
 3. Shipper to fill out this form

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

SHIPPER'S REFERENCE

OCT-13-93 WED 15:57

ACUA CALIENTE TRIBAL OFC

FAX NO. 6193250593

P. 02

Account Number	Bill Close Date	Payment Due Date
730 175 5007 001	4/06/93	5/06/93



Page 4

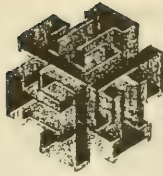
ACUA CALIENTE TRIBAL

REF # 619 325 5673

Detail of Long Distance Charges

No	Date	Time	Place	Area/Number	Mins	Call Type	Rate Period	Amount
DIRECT DIALED CALLS								
CALLS BILLED TO 619 778-6042								
1	3/25	9:15A	TO LA HABRA CA	310 694-1893	9	DDC	DAY	1.27
2	3/25	12:21P	TO CAPITRNVLV CA	714 661-6212	2	DDC	DAY	.28
3	3/26	3:10P	TO WASHINGTON DC	202 331-8690	2	DDC	DAY	.50
4	3/29	12:24P	TO SAN DIEGO CA	619 985-5227	1	DDC	DAY	.15
5	3/29	1:44P	TO BEVERLYHLS CA	310 553-8600	3	DDC	DAY	.43
6	3/29	5:33P	TO HENET CA	909 765-6250	1	DDC	EVE	.12
7	3/30	8:51A	TO HENET CA	909 658-4871	1	DDC	DAY	.14
8	3/30	1:23P	TO PAUMA VLY CA	619 742-3771	3	DDC	DAY	.41
9	3/30	1:59P	TO NEW YORK NY	212 832-2000	4	DDC	DAY	1.00
10	3/30	4:06P	TO SACRAMENTO CA	916 482-0428	2	DDC	DAY	.29
11	4/05	12:08P	TO LINDAVISTA CA	619 494-9900	1	DDC	DAY	.15
12	4/05	2:34P	TO LOSANGELES CA	213 467-1411	1	DDC	DAY	.15
13	4/06	8:51A	TO LAS VEGAS NV	702 731-7203	9	DDC	DAY	2.07
SUBTOTAL								\$20.02
TOTAL								\$100.34
OPERATOR HANDLED CALLS								
CALLS BILLED TO 619 325-5673								
14	3/22	9:53A	TO PALM SPG CA	619 325-5673	3	DCS	DAY	3.60
			FR LAS VEGAS NV	702 798-9908				
15	3/25	10:46A	TO PALM SPG CA	619 325-5673	3	DCS	DAY	1.53
			FR DAVIS CA	916 756-9843				
16	3/25	1:15P	TO PALM SPG CA	619 325-5673	6	DCS	DAY	1.92
			FR RIDGECREST CA	619 446-9816				
17	4/02	12:25P	TO PALM SPG CA	619 325-5673	7	DCS	DAY	3.76
			FR WASHINGTON DC	202 863-9834				
18	4/02	12:43P	TO PALM SPG CA	619 325-5673	4	DCS	DAY	2.98
			FR WASHINGTON DC	202 488-9100				
SUBTOTAL								\$13.79
TOTAL								\$13.79

84-760 360



March 31, 1993

Mr. Richard M. Milanovich
Chairman
Tribal Council
Agua Caliente Band of Cahuilla Indians
960 East Tahquitz Canyon Way, #106
Palm Springs, CA 92262

Dear Richard,

Thank you for returning my phone call.

I was disappointed to learn that we can not formally begin discussions until your negotiations with Caesars have concluded. However, while I do not enjoy playing the role of Brutus, if negotiations with Caesars should not progress as planned, please call me immediately so we can begin our dialogue. The faster that we can start working together, the sooner the casino will be up and running.

Also, I would like to learn more about those tribes that you mentioned which are interested in seeking partners for casino development. I look forward to hearing from you soon - please keep in touch.

All the best,

Scott G. Kasen
Director of Special Projects

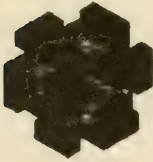
THE TRUMP ORGANIZATION

725 FIFTH AVENUE · NEW YORK, N. Y. 10022 212 · 832 · 2000 TELEX · 427715

APR-08-1993 14:53 FROM TRUMP TOWER 26

TO

16193258593 P.001


**THE TRUMP
ORGANIZATION**

 725 FIFTH AVENUE
NEW YORK, N.Y. 10022
(212) 632-2828

FACSIMILE TRANSMISSION

 April 8, 1993
DATE:

 Mr. Richard Milanovich
SENT TO:

 1
NUMBER OF PAGES
(INCLUDING COVER)

 Scott Kasen
FROM:

 619-325-0593
FACSIMILE NUMBER:

 212-935-0141
FACSIMILE NUMBER:

 If you did not receive clear copies of all pages contact sender
at (212) 832-2000

MESSAGE:

 Dear Richard,
A quick fax to say hello. Please call me when the
negotiations stall.
Happy Easter !

The information contained in this telecopy transmission is privileged and confidential, and intended only for the use of the individual(s) and/or entity(ies) named above. If you are not the intended recipient, you are hereby notified that any unauthorized disclosure, copying, distribution or taking on any action in reliance on the contents of the telecopied materials is strictly prohibited. Materials transmitted which is protected by the attorney-client privilege which is reviewed in error by other than the individual intended for receipt shall not constitute a waiver of the attorney-client privilege. If you have received this transmission in error, please immediately notify the sender by telephone to arrange for the return of the materials.

ARGYLE HALL, BEACH HAVEN APTS, BEACH HAVEN SHOPPING CENTER, BELLEVILLE HALL, CHELSEA HALL, CLYDE HALL, CORONET HALL, EDDINGTON HALL, FALCON APTS, FIESTA APTS, FONTAINEBLEAU APTS, GREEN PARK BSE APTS, GREEN PARK SUSSEX APT, GREGORY APT, GRAYMERE HILL APTS, HAGUE TOWERS, HIGHLANDER HALL, KENDALL HALL, LAWRENCE GARDENS, LAWRENCE TOWERS, LINCOLN SHORE APTS, LUNA SHOPPING CENTER, NAUTILUS HALL, OAKDALE APTS, OCEAN AIR APTS, OCEAN TERRACE APTS, PARK BLAIR APTS, PARK TOWERS APTS, PATIO GARDENS, PEMBROKE TOWERS, PROSPECT TOWERS, SAKONY HALL, SEA BEE APTS, SHORE HAVEN APTS, SEASIDE HAVEN SHOPPING CENTER, SHELCLAIR FARMS, SOUTHWINDSOR APTS, SUNSHINE TOWERS, SUSSEX HALL, SWARTON VILLAGE, TRUMP VILLAGE APTS, TRUMP VILLAGE SHOPPING CENTER, TYNDEN PARK APTS, WEDGWOOD TOWERS, WINDSOR HALL, WINSTON HALL.

TOTAL P.001

P H O N E M E M O	TO	RMM		DATE	4-21	TIME	3:15	AM PM
	FROM	Scott Kaseh		AREA CODE	212			
	OF	Trump Org.		NO.	832-2000			
				EXT.				
	M E S S A G E	call next week						
								SIGNED
		PHONED <input type="checkbox"/>	CALL BACK <input checked="" type="checkbox"/>	RETURNED CALL <input type="checkbox"/>	WANTS TO SEE YOU <input type="checkbox"/>	WILL CALL AGAIN <input type="checkbox"/>	WAS IN <input type="checkbox"/>	URGENT <input type="checkbox"/>

Mr. TRUMP. Legal counsel of who?

Mr. MILLER. The Agua Calientes.

Mr. TRUMP. Oh, you mean somebody wrote to me asking for—that is not my people writing, sir.

Mr. MILLER. No. He says, "I am writing at your request."

Mr. TRUMP. At my request?

Mr. MILLER [continuing]. "Concerning your various contacts regarding the possibility of your involvement"—

Mr. TRUMP. Sir, that is somebody writing a letter to me, I am not writing a letter to them. I don't blame them for wanting—

Mr. MILLER. Caesar's has asked? Is that your information? Others in your industry are seeking management contracts with various Indian gaming operations either existing or in future. Is that correct?

Mr. TRUMP. That is true. I think that is true, yes.

Mr. MILLER. So what is the conclusion to be drawn from that? That they, too, will have no ability—

Mr. TRUMP. No, the conclusion is, hey, this thing is running rampant, they are running public companies for the most part, they might as well get on the ship. But they know, and if they were down here testifying, they know that when you have this many entities, this many—they know, they are professionals—that you cannot control the mob, you cannot control the organized crime, you are not going to do it.

Willy Sutton—

Mr. MILLER. So they are making this decision—

Mr. TRUMP. Willy Sutton—excuse me, sir—Willy Sutton said he robbed banks, he said that is where the money is. Well, the mob is going into the casinos, and what they are doing is, they are going into the Indian casinos because, sir, that is where the money is, but also that is where the lack of enforcement is.

Mr. MILLER. Why is your industry—

Mr. TRUMP. Sir, that is where the lack of enforcement is.

Mr. MILLER. Why are members of your industry going there when obviously—

Mr. TRUMP. Because they want to make money.

Mr. MILLER. Wait a minute. If they were to be involved with organized crime or any kind of criminal activity, it would, I assume, under both Nevada's law and New Jersey's, would reflect on your ability to continue to hold a license, would it not?

Mr. TRUMP. Because they want to make money, sir, because they really want to make money, and I have—you know, I have a great love for this country. I happen to be—

Mr. MILLER. It is quite possible for a reservation to enter into a gaming contract, management contract, with somebody in your industry—I don't know about other people on the outside, these companies that are being formed—but in terms of your industry, to enter in with the Mirage or with Caesar's or former executives of those people who have their own private operations. An Indian tribe could enter into that and have a great bulwark against organized crime because that operator would have to say, "I cannot do business with you people, I cannot let this go on, because my license is at risk."

Mr. TRUMP. I didn't say the companies are honest. I said the regulatory process is honest. The regulatory process is a huge and cumbersome thing that, in the end——

Mr. MILLER. But there clearly is a way—there clearly is a way——

Mr. TRUMP. Do you want me to answer the question?

Mr. MILLER. There clearly is way for those casinos to do business outside of organized crime because they are doing business with people who have a great stake——

Mr. TRUMP. The regulatory——

Mr. MILLER. Is that not true?

Mr. TRUMP. The regulatory process——

Mr. MILLER. I understand the regulatory process.

Mr. TRUMP. The regulatory process, in a limited number of locations, can keep casino gaming honest. When you open up hundreds of locations randomly without even State control—I am not saying State or anything, but without any control—there is no way to keep that honest, whether I run it, whether Caesar's runs, whether the Indians are running it. There is no way. You have too many places, you have too much money involved. The mob is going to take over it. It is starting to come out. It will start coming out a lot more, and in two years, sir, you are going to be a very embarrassed man.

Mr. ABERCROMBIE. Mr. Trump and Mr. Miller—Mr. Miller you will have the concluding remark.

Mr. MILLER. Let's just understand one thing.

Mr. TRUMP. Thank you, sir.

Mr. ABERCROMBIE. Speaking of running things, I am running the committee. So Mr. Miller will conclude in as much as he is the chairman.

Mr. MILLER. You want to keep suggesting that somehow there is no regulatory scheme for these reservation gaming sites. The fact is, there is in almost every instance. Obviously, where you have compacts the governors are concerned about their citizens as you are, and we now have, I don't know, what, 26 governors that have entered into compacts with various tribes.

Mr. TRUMP. They have had no choice, sir.

Mr. MILLER. You have the whole regulatory scheme of the Gaming Commission. Most of the cases you cite were before the Gaming Commission. They have the memorandum of understanding with the FBI. The tribes have under the trust relationship a direct access to the FBI, to the Treasury Department, to the Attorney General of the United States.

You keep wanting to paint this picture as somehow these people are off just willy-nilly doing business. The fact is, that isn't. Many of the contracts that were cited in the evidence you presented—to date, when they were signed they weren't under the scrutiny. The Secretary didn't have to approve them. Today the Secretary does. The arrangement in New Jersey, as I think you pointed out, isn't allowed, the potential arrangement isn't allowed under the existing law, as Senator Inouye testified. I appreciate the theory, but it isn't allowed under the existing law.

The fact is, if they entered into a management agreement, that management agreement would have to be signed off by this Secretary of the Interior. So the suggestion you have painted is that

somehow these people are doing—you used the term “deregulated” or “unregulated,” completely outside the scheme of regulation, commensurate with this industry, and the fact is, they are not.

Mr. TRUMP. Sir, I will just give you a quick answer, and then the Congressman will give you a much more appropriate answer to something else. I will tell you that, you asked me about governors, and you said the governors are routinely signed. The governors are being forced—

Mr. MILLER. These are hard bargainers.

Mr. TRUMP. Sir, they are not hard bargaining, because if Mario Cuomo didn't sign his pact in Syracuse, the Indians were going to court, and they would have won on summary judgment based on the ridiculous law that was passed, okay? So it is not hard bargaining. He sat there and he had absolutely no choice.

Lowell Weicker, who I have great respect for, fought and fought and fought and ultimately was bludgeoned into having to accept this, and he is not happy about it, and Connecticut is not happy about it, and Connecticut is a total disaster over Indian gaming.

Mr. ABERCROMBIE. Thank you, Mr. Trump.

Mr. TRUMP. They have created a monster.

Mr. ABERCROMBIE. Thank you, Mr. Trump.

Mr. Torricelli, in as much as you are also a part of the panel, we will conclude this panel with your remarks.

Mr. TORRICELLI. Thank you.

Hesitant though I am to engage in this conversation—

Mr. ABERCROMBIE. And then we will move on to our next exciting panel.

Mr. TORRICELLI. Allow me just to conclude for a moment simply with this. There is much that is not known on the problems of Indian gaming. The intention here today was to reflect simply on a few things that we do know.

The inspector general has concluded that there is fraud and abuse that is costing Indian tribes millions of dollars. We have attempted to establish that there are not sufficient Federal resources, indeed an absence of FBI and IRS presence, to deal with the problem of money laundering and the presence of organized crime.

We cannot, we could never, come before you, Mr. Chairman, to the degree that you would like with evidence to establish this fact. That was not our intention. It was not our intention to prove everything that has taken place, simply the absence of what we know.

But in all fairness, I think we are approaching this in a reverse fashion. To cite that Caesar's or other legitimate institutions have management contracts or will be involved in the industry hardly is the way to approach the problem. It is not enough that there are some legitimate people in the industry, the problem is that there are illegitimate people in the industry. We can't be satisfied because there are a few good participants, even that most are good participants. The fact that some are not, I think that is how the issue should be approached.

The legislation I have submitted to this committee for its review is simply this. That the negotiating process is not working.

Yes, Mr. Miller, if there were compacts in all States legitimately and honestly agreed to on an equal basis, we would not have a

problem. Forty of these casinos are operating with no compacts, no State agreements whatsoever.

As has been testified, many of them, as in the States of New York and Connecticut, were against the wishes of the States because they were going to be compelled by Federal courts.

I have submitted legislation that is simple on its face. I do not believe any industry in this country should be the reserve of any group. I know one person who has come here today testifying against any discrimination, me. Any citizen of this country that wants to operate casino gaming should be able to do so on an equal basis, same law, same taxes, same investigations, same regulations, period, no distinctions. You make the grade, or you do not. That is the legislation that I have given you, that it be regulated and done fairly with revenues returned. That is the suggestion I give to you. I hope we have made a contribution. We have tried to do so. I leave it to you for your review.

Mr. ABERCROMBIE. Thank you very much, Mr. Torricelli.

Thank you very much, Mr. Trump.

Mr. TRUMP. Thank you, sir.

PANEL CONSISTING OF HON. ADA E. DEER, ASSISTANT SECRETARY OF INDIAN AFFAIRS, BUREAU OF INDIAN AFFAIRS, U.S. DEPARTMENT OF THE INTERIOR, ACCOMPANIED BY HILDA A. MANUEL, DIRECTOR, INDIAN GAMING MANAGEMENT STAFF, AND THEODORE R. QUASULA, CHIEF, DIVISION OF LAW ENFORCEMENT; HON. ANTHONY J. HOPE, CHAIRMAN, NATIONAL INDIAN GAMING COMMISSION; HON. JOEL FRANK, COMMISSIONER, NATIONAL INDIAN GAMING COMMISSION; AND MICHAEL D. COX, GENERAL COUNSEL, NATIONAL INDIAN GAMING COMMISSION, ACCOMPANIED BY HON. JANA McKEAG, COMMISSIONER

Mr. ABERCROMBIE. Now we will move on to our third panel, and I think that some of the questions that have been raised during the first two panels can be addressed and probably will be addressed both in the testimony and subsequent discussion: The Honorable Ada Deer, assistant secretary for Indian affairs in the Bureau of Indian Affairs of the Department of the Interior. The assistant secretary will be accompanied by the director for the Indian gaming management staff, the chief of the Division of Law Enforcement for the Indian gaming management staff; the chairman and commissioners of the National Indian Gaming Commission, as well as their general counsel, Mr. Cox.

I trust that at least some of the media will remain to get some of the answers that could be forthcoming as opposed to some of the celebrity "Family Feud" activity that they seem more interested in.

Secretary Deer, I commend you for your patience. I notice that you were more than anxious on several occasions to want to respond, and those accompanying you, I think, were anxious to do so as well. So I won't hold up that opportunity any longer, and I would ask you to go ahead with your testimony. The full sum of it, of course, is in the record. You can summarize if you wish, and then we will move on to questions and/or commentary from you and those accompanying you, and if during the course of your testi-

mony you would like to defer momentarily to anyone accompanying you, feel free to do so, and I forgot to say Aloha and welcome.

STATEMENT OF HON. ADA E. DEER

Ms. DEER. Thank you very much, Mr. Chairman and Members of the Committee. I am delighted to be here and to offer testimony on the implementation of the Indian Gaming Regulatory Act, with special emphasis on law enforcement issues.

I have two members of my staff with me today who can answer specific questions on technical or program issues if necessary. We have Ms. Hilda Manuel, Director of the Indian Gaming Management staff, and Mr. Ted Quasula, Chief of the Division of Law Enforcement.

I would like to present a summary of my statement and to request that the full text of my prepared statement be made a part of the record. I am very conscious of the time, and I want to note that.

Mr. ABERCROMBIE. It will be.

Ms. DEER. As many of you know, I have devoted my life to being an advocate for change, change that provides for accountability. My efforts in holding the U.S. Government accountable for terminating the Menominee Tribe of Wisconsin are a prime example.

Today, my concern lies with ensuring that Indian gaming operations are successful and that these operations comply with the letter and spirit of the Indian Gaming Regulatory Act.

As a social worker, I measure the success of gaming in very basic terms. Does it provide housing, education, and employment opportunities for tribal members? The answer is a resounding yes. As a matter of policy, the Department supports Indian gaming and is committed to the goals and objectives of the Indian Gaming Regulatory Act.

We have all heard about the successes of Indian gaming on Indian lands. There is no doubt, Indian gaming has become a major economic development activity for Indian tribes. Many Indian tribes now provide better governmental services, better health care, higher quality educational benefits, employment, and have a source of capital for other economic development investments.

In States such as Minnesota, Wisconsin, and Michigan, poverty, alcoholism, unemployment, juvenile delinquency, and other social problems have been significantly reduced and positively addressed by the economic benefits brought by gaming to the tribes. Regrettably, tribal efforts to better not only the economic conditions of their own communities but also that of neighboring communities have been met with contentious debate and opposition.

A focal point of this ongoing debate is a perception by Indian gaming opponents that Indian tribes have been provided an unfair advantage over other citizens. Congress intended to allow Indian tribes a comparative edge because of the economic reality on Indian reservations. Congress correctly perceived that this is the result of centuries of advantage that have been granted to non-Indian communities and continues, in many respects, today. This reality is characterized by few natural resources, limited finances, lack of a tax base, shortage of business capital and equity, underdeveloped infrastructures, geographic remoteness from sizable markets, inad-

equate roads and transportation systems, and a lack of trained, educated, or skilled workforces.

But Indian nations and peoples have survived these and other disadvantages because of our innate intelligence, courage, pride and tenacity. We are continually searching for a means to engender self-reliance that are compatible with our cultures, values, and the environment.

Concerns about the integrity of Indian gaming, its scope and scale, the need for acceptable licensing and law enforcement capabilities to keep out criminal elements have dominated the agendas of national meetings, conferences at all levels of Federal, State, and Tribal Governments.

The Department does not discount the potential for law enforcement problems, especially in an industry with large cash transactions. We have no reason to believe that Indian gaming operations are any more susceptible than any other gaming operation, nor do we think that Indian gaming is in any way immune from such criminal elements.

The Department believes that, on the average, the regulatory and enforcement efforts of all parties, Federal, State, local, and tribal law enforcement agencies, have done a commendable job to keep Indian gaming free of law enforcement problems. We also believe that Indian tribes themselves have undertaken notable efforts to ensure that Indian gaming activities are clean, honest, and free of criminal elements.

Tribal gaming enterprises have installed sophisticated video surveillance systems in their establishments which match or exceed those found in non-Indian gaming establishments. Videotapes of criminal activity gathered by these systems is used as evidence in the prosecution of suspects.

Many gaming operations employ off-duty police officers who, because of their certification, can take immediate action when confronted with criminal activity. Cooperative and ongoing coordination among all law enforcement agencies has become the mainstay in ferreting out criminal elements.

In closing, I want to say that while we cannot guarantee that Indian gaming is free of criminal influences or that nothing will go wrong, we do believe that there is sufficient law enforcement presence and oversight to discourage and deter criminal elements.

Indian nations and peoples have survived these and other disadvantages because of our intelligence, courage, pride, and tenacity. We are continually searching for means of self-reliance that are compatible with our culture, our values, and our environment.

This concludes my summary, and I will be happy to answer further questions.

[Prepared statement of Ms. Deer follows:]

STATEMENT OF ADA E. DEER, ASSISTANT SECRETARY - INDIAN AFFAIRS, DEPARTMENT OF THE INTERIOR, BEFORE THE SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS OF THE COMMITTEE ON NATURAL RESOURCES, U.S. HOUSE OF REPRESENTATIVES, ON THE OVERSIGHT HEARING ON THE IMPLEMENTATION OF THE INDIAN GAMING REGULATORY ACT WITH REGARD TO LAW ENFORCEMENT ISSUES.

October 5, 1993

Good morning Mr. Chairman and members of the Committee, I am pleased to present the views of the Department of the Interior on the implementation of the Indian Gaming Regulatory Act (IGRA), with particular emphasis on law enforcement issues. This hearing on Indian Gaming is timely in view of the current effort by state and tribal representatives to reach consensus on possible amendments to the IGRA.

I will begin with some general remarks on Indian gaming as an economic development activity, followed by specific remarks on law enforcement issues.

As we all know, gaming on Indian lands has become a major economic development activity for Indian tribes, and we are witnessing an unprecedented growth in Indian gambling operations. However, this growth has not been without controversy and criticism. Concerns about the integrity of Indian gaming, its scope and scale, the need for acceptable licensing, and law enforcement capabilities to keep out criminal elements have dominated the agendas of meetings and conferences at all levels of Federal, state and tribal governments. Voices from all sides have offered their opinions on the pros and cons of Indian gaming. As a matter of Federal policy, we support Indian gaming and are committed to the goals and objectives of IGRA.

The principal goals of the IGRA are to promote tribal economic development, self-sufficiency and strong tribal governments. A majority of the gaming tribes will tell you unequivocally that Indian gaming has greatly enhanced their economic sufficiency. These tribes now provide better governmental services, better health care, higher quality education benefits, and employment and housing for tribal members. They also have a source of capital for other economic development investments. Gaming revenues have provided a reliable source of funds to support tribal government operations and, in several instances, tribes have also made contributions to local governments for roads, schools, police protection and social service programs to help mitigate the impacts expected from Indian gaming.

Indian nations and peoples have survived many disadvantages because of our innate intelligence, courage, pride, and tenacity. We are continually searching for means of self-reliance that are compatible with our cultures, values, and our environment. The economic benefits brought by gaming to the tribes have significantly reduced and positively addressed, poverty, alcoholism, unemployment, juvenile delinquency and other social problems.

Some of these tribal efforts to better not only the economic conditions of their own communities but also that of neighboring communities, have been met with contentious debate and opposition.

A focal point of this ongoing debate is a perception by Indian gaming opponents that Indian tribes have been provided an unfair advantage over other citizens.

Congress intended, however, to allow Indian tribes a comparative edge because of the economic reality on Indian reservations.

Indian tribes are governments and as governments, they need to provide essential services to their constituencies. Like any government, they need revenue. Thirty-five of the 50 state governments have chosen to operate lotteries for public finance. Like states that operate lotteries, Indian tribes operate gaming enterprises for public or governmental finance, not for private business profit.

The success of Indian gaming has, however, been subject to specific limitations and requirements. Of all the gaming in this Country, only Indian gaming is subject to Federal regulation and oversight. Only Indian tribes are mandated by Federal law to dedicate gaming revenues to statutorily defined uses and purposes. If an Indian tribe wants to share gaming revenues with tribal members by making per capita payments, the tribe is required to prepare a Revenue Allocation Plan indicating how all the gaming revenues will be used and must include the per capita distribution plan. This Plan cannot be implemented until it is approved by the Secretary of the Interior.

Indian tribes are striving to be better neighbors than their neighbors have been to them. Although not mandated, Indian tribes are mindful of the potential negative effects that gambling may have on society and, in many cases, underwrite a large share, if not all, of the costs for reducing or alleviating such negative social effects and impacts of gaming. Many Indian tribes contribute to local charities and help fund local education projects and government agencies whose services extend across the spectrum of

community need. And for the first time in history, Indian gaming has proven to be a win-win situation. Many Indian tribes now stand poised to achieve economic self-sufficiency.

Unfortunately, the right of Indian tribes to game is expected to be revisited by Congress as a result of the continuing conflicts between some tribes and some states over the scope of gaming and related regulatory and operational issues. Highly publicized claims by Indian gaming opponents that tribal gaming operations are unregulated and highly susceptible to infiltration by criminal elements have also contributed to the decision to reopen the IGRA for amendments.

The Department is keenly aware that the gaming industry with its large cash transactions has always been an attractive target for criminal elements. We have no reason to believe that Indian gaming operations are any more susceptible than any other gaming operation nor do we think that Indian gaming is in any way immune from such criminal elements. In fact, some law enforcement problems have occurred. From a law enforcement perspective, our greatest concern is that the integrity of Indian gaming could be compromised through criminal infiltration. In this regard, the BIA Division of Law Enforcement Services (DLES), maintains close communication with other law enforcement agencies to help prevent organized crime involvement, to help keep undesirables out of Indian gaming, and to help maintain public order.

Criminal activities known to be inherent to the gambling industry range from sophisticated skimming and money laundering operations to crude schemes to cheat at card games or to rig gambling devices. Our involvement in cases

associated with traditional Organized Crime activities has been secondary and limited. The lead agency with authority to investigate traditional Organized Crime is the Federal Bureau of Investigation (FBI). To our knowledge, the FBI has had only one organized crime infiltration case that involved Indian gaming. This case was successfully prosecuted and resulted in imprisonment of known organized crime figures.

The DLES plays a more active role in cases which may be referred to as non-traditional organized crime. For example, small groups of individuals will band together with the specific purpose to prey on gaming establishments. These individuals conduct their illegal scams and cheating for short periods of time before moving to another gaming establishment. These criminals do not discriminate and have targeted Indian and non-Indian gaming operations. The losses attributed to individuals in these groups may constitute several thousand dollars a day. There have been isolated cases of this type of criminal activity. Through a coordinated and cooperative effort among the BIA and tribal, state, and county law enforcement agencies these cases have been successfully investigated and prosecuted.

It is noteworthy to mention that in many instances, tribes have provided valuable support in the successful apprehension of these types of criminals. Most tribal gaming enterprises have installed sophisticated video surveillance systems which capture the criminals on tape. The videotapes are later used as evidence in the prosecution of these criminal cases. Moreover, many gaming operations employ off-duty certified police officers who, because of their certification status, can take immediate action when confronted with criminal activity. We also have learned that many tribal gaming operations employ retired police

officers in their security programs.

The DLES has also been instrumental in assisting our Office of the Inspector General, Department of the Interior, with the investigation of crimes involving theft or embezzlement. These types of crimes may be committed by tribal officials, gaming management personnel or employees. We have found in these types of cases that the gaming operation often lacked good internal controls and security procedures. In some cases, an inadequate background investigation of gaming employees also was a contributing factor to the criminal activity.

Although the DLES does not always lead the investigation of gaming offenses, it has been involved in every major case in some manner. The relationship that is maintained with the various federal, state, local and tribal law enforcement agencies has proven to be a valuable tool for sharing information and for monitoring the movement of suspected or known criminal. On the national level, BIA law enforcement officials along with tribal law enforcement officials work closely with the top leadership of the International Association of Chiefs of Police to keep the lines of communication open on law enforcement issues related to gaming.

In closing, I want to say that while we cannot guarantee that Indian gaming is free of criminal influences or that nothing will go wrong, we do believe that there is sufficient law enforcement presence and oversight to discourage and deter criminal elements. Inasmuch as Indian gaming is the only gaming subject to Federal regulation, every level of the nation's law enforcement structure has an opportunity to become involved. Cooperative and ongoing coordination among all law enforcement agencies including

the BIA has become the mainstay of ferreting out criminal problems. In the States of Arizona, South Dakota, Minnesota and Wisconsin, the various Federal, state, local and tribal law enforcement agencies have organized formal task forces under the auspices of the U.S. Attorney's Office to review and address difficult or peculiar law enforcement problems related to gaming. It seems appropriate then that these States have become models of a new cooperative approach to resolving law enforcement problems associated with all types of gaming.

This concludes my prepared statement. I will be happy to answer any questions that you or members of the Committee may have.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

NOV 03 1993

Honorable Bill Richardson
Chairman, Subcommittee on Native American Affairs
Committee on Natural Resources
House of Representatives
Washington, DC 20515

Dear Mr. Richardson:

On October 5, 1993, the Department of the Interior and the Bureau of Indian Affairs (BIA) provided testimony regarding law enforcement issues associated with Indian gaming operations before the Subcommittee on Native American Affairs House Committee on Natural Resources. The Division of Law Enforcement was requested by the Honorable Neil Abercrombie to provide comment on testimony provided by Mr. David B. Palmer, Deputy Assistant Commissioner (Criminal Investigation), Internal Revenue Service (IRS).

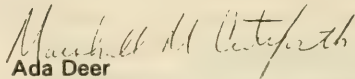
Mr. Palmer provided a general overview of various federal laws, including the Bank Secrecy Act, designed to safeguard against money laundering and to provide assistance to the IRS in its anti-money laundering enforcement and tax administration. Mr. Palmer explained the limitations of these statutes as they apply to tracking money transactions in Indian gaming operations.

The integrity of gaming operations must be safeguarded against incursions by organized crime to ensure that Indian gaming remains a viable source of economic development for Indian communities. To this end, the law enforcement community needs to have available all of the tools and resources to adequately protect the Indian community and to prevent illegal activity from siphoning off much needed funds.

The Department of the Interior and the BIA concur with the recommendation by the IRS that the Indian Gaming Regulatory Act (IGRA) and the Bank Secrecy Act be amended to specify that Indian gaming operations be subject to the Bank Secrecy Act rather than to Section 6050I. Such an amendment would ensure a more complete reporting and tracking process for cash transactions over the threshold figure.

We thank the subcommittee for the opportunity to provide a response to Mr. Palmer's testimony. Please contact this office if there are any further questions regarding law enforcement issues related to Indian gaming operations.

Sincerely,


Ada Deer
Acting ~~For~~ Assistant Secretary - Indian Affairs

Mr. ABERCROMBIE. Thank you very much.

Would you care to have any of your associates comment? Or may I just ask them directly? What is your pleasure? Obviously, they have heard testimony all the way from the IRS to Mr. Trump's—I guess you could call them contentions.

Ms. DEER. Let me say his selective interpretation of the facts.

Mr. ABERCROMBIE. Yes, as you say.

In any event, would you care to call anyone in particular? Otherwise, I have some—

Ms. DEER. We are here at the committee's pleasure to answer your questions.

Mr. ABERCROMBIE. Okay.

Commissioner McKeag, am I pronouncing your name correctly?

Ms. McKEAG. Correct.

Mr. ABERCROMBIE. You are a Commissioner on the National Indian Gaming Commission, correct?

Ms. McKEAG. That is correct.

Mr. ABERCROMBIE. Do you have any comment on the contentions that were made with respect to the ability of the Commission and/or any of its affiliates, the Indian Gaming management staff, your relationship to the Department of the Interior or other Federal Departments with respect to law enforcement, as to your ability to oversee the gaming operations?

I am not speaking in the context of law enforcement, criminal activity and penetration of gaming activities.

Ms. McKEAG. I believe our chairman, Tony Hope, has a statement which addresses the Commission's responsibilities in the area of enforcement. I think he would like to summarize that statement, and then we could discuss—

Mr. ABERCROMBIE. Oh, I'm sorry.

Mr. Hope, I didn't see your sign there, I beg your pardon. The transcriber was in the way. I didn't recognize that you were there. I beg your pardon.

Did you hear my question to the other commissioner?

Mr. HOPE. Yes, I did.

Mr. ABERCROMBIE. Would you care to comment? My question has to do with your observations or commentary with respect to the ability of existing institutions under the existing law to deal with the penetration of Indian gaming by organized crime elements.

STATEMENT OF HON. ANTHONY J. HOPE

Mr. HOPE. Yes, I would like to address that question, but would you like my prepared remarks first?

Mr. ABERCROMBIE. No. We will get to that.

Mr. HOPE. The question has been raised as to how many people are available for the enforcement of Indian gaming as compared to, say New Jersey. Generally, New Jersey has 905 people. They have adopted a particular system of gaming enforcement which includes regulating paper napkins in the bars and includes personnel whose job it is to go around and count the number of bar stools to make sure that they conform to the square foot area of the casinos in terms of permissible numbers of bar stools.

We do not feel that that is the regulatory scheme that Indian gaming needs or that should be followed. We prefer the Nevada

concept more as embodied in the Act which essentially provides that the tribes, as owners, are the primary regulators in Class II gaming and work with the States to determine jurisdiction in Class II gaming.

As backup, in terms of enforcement or regulation, we have available approximately 10,000 people to regulate gaming nationwide. We have 87 U.S. attorneys and their forces. We have all of the FBI that we need. We have the State groups in those 18 States with compacts which are generally run out of their attorney generals' office. We have those staffs available. We have different staffs that do background investigations.

Within my own Department, we have very few people. As here before you, you see myself, Commissioner McKeag; Commissioner Joel Frank; and my General Counsel, Michael Cox.

We have a total of 27 people, but we have the ability and the authority to farm out to the private sector or to tribes or to other Federal agencies and to hire for anything that we need done. There is a vast array of people available for regulation.

The regulatory responsibilities are divided into two groups, Class III and Class II. We fully recognize that casinos need a greater amount of regulation than do bingo halls. My personnel have the responsibility for the oversight of the day-to-day operation of the bingo halls. These are places where it would be very difficult to launder money. A \$10,000 transaction would buy you a whole stack of bingo pads but they couldn't be converted back into money.

The casinos are regulated under a tribal-State compact where the State, contrary to what I have heard in prior panels, has the right to negotiate for reimbursement of any expenses that are going to be incurred for regulation of these casinos. They can get the money back through the compact process from the tribes. They can insist on all reasonable regulatory requirements. The Commission performs background investigations on people going into Class II insofar as they are owners of management contracts. As such, we have our own screening processes, some of which carries over into Class III, because a lot of the Class III contracts have Class II elements within them and so will be conducting—

Mr. ABERCROMBIE. Commissioner Hope, many people who are associated with the law and the passage of the law understand the differences between Class I, Class II, and Class III, but for purposes of clarification and the record, would you differentiate the three classes? I know you do that in your testimony.

Why don't we just have your testimony submitted for the record, and you can concentrate just on the final page of conclusions and the differentiation in the classes.

Mr. HOPE. Please, if you would submit for the record. Thank you. [Prepared statement of Mr. Hope follows:]

TESTIMONY OF

ANTHONY J. HOPE

CHAIRMAN, NATIONAL INDIAN GAMING COMMISSION

BEFORE

THE HOUSE COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS

OCTOBER 5, 1993

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before you today. My name is Tony Hope. I am the Chairman of the National Indian Gaming Commission. With me today are Commissioner Jana McKeag of the Cherokee Nation of Oklahoma, Commissioner Joel M. Frank, Sr. of the Seminole Tribe of Florida and General Counsel Michael D. Cox.

The Indian Gaming Regulatory Act of 1988 (IGRA) was enacted as a response to the proliferation of tribal gaming establishments in Indian country operating without regulatory oversight by either the federal government or the states. The IGRA provides a regulatory framework for regulating Indian gaming by dividing gaming into three (3) classes, establishing the National Indian Gaming Commission to oversee the regulation of class II gaming, and authorizing Indian tribes and states to enter into compacts for the regulation of class III gaming.

Class I gaming (social games or traditional tribal games played in connections with tribal ceremonies) is regulated under the exclusive jurisdiction of the tribes. Class II gaming (bingo, pull-tabs and related games) is regulated by the tribes, but with oversight by the National Indian Gaming Commission. Class III gaming (all other gaming, including horse racing, blackjack, roulette, slot machines, lotteries and craps) is regulated under the terms of a compact between the tribe and the state.

The Commission is an independent regulatory agency administratively located within the Department of the Interior. Under the IGRA, the Commission's primary role is to monitor and oversee the regulation of class II gaming operations. The Commission also approves class II and class III tribal gaming ordinances and management contracts. It has the authority to impose civil penalties or to close a gaming establishment for substantial violations of the IGRA, the regulations promulgated by the Commission, or tribal gaming ordinances.

Under the IGRA, the day-to-day regulation of class II gaming is primarily the responsibility of the tribe, while the day-to-day regulation of class III gaming is as negotiated and set forth in the compact between the tribe and the state.

Although law enforcement is a vital tool in the regulatory process, the regulatory structure of the IGRA divides enforcement among several different entities. For example, the U. S. Attorneys are charged with enforcement of the Johnson Act (15 U.S.C. §1175), theft from Indian gaming establishments (18 U.S.C. §1167 and 1168) and state gambling laws in the absence of a tribal-state compact (18 U.S.C. §1166); the FBI is charged with investigating crimes on Indian reservations; the tribes and the states can agree that the states and/or the tribes will investigate and prosecute crimes involving class III gaming. Fraud could be under the jurisdiction of the federal, state and tribal governments.

The Commission has civil enforcement authority for violations of the IGRA, tribal ordinances, management contracts, and Commission regulations. Additionally, it conducts background investigations on entities and individuals with a financial interest in, or management responsibility for class II management contracts, but not for class III management contracts.

We have in the past and will continue to work with the FBI, the IRS, the U.S. Attorneys, and others to develop and improve procedures for information sharing, the conduct of background investigations, and the coordination of enforcement procedures. As regulators, we meet regularly with individuals and organizations to discuss our respective roles and responsibilities in Indian gaming. These include the numerous gaming tribes and associations, as well as the Conference of Western Attorneys General, the National Association of Attorneys General, the National Governor's Association, the Attorney General's Advisory Committee on Indian Affairs, and the Indian Section of the American Bar Association.

The Commission is charged with approving all class II and class III management contracts, and with determining the suitability of owners of management contracts for all class II gaming operations. Some of these background investigations will be done quite rapidly while others may take six months or more to complete. Determinations of unsuitability and the consequent banning of individuals from significant roles in Indian gaming is perhaps the most important "law enforcement" role of the Commission. These determinations include such investigative procedures as:

- o Verifying the information submitted by the applicant by written or oral communications.

- o Inquiring into the applicant's prior activities, criminal record, if any, and reputation, habits and associations; conducting interviews with knowledgeable people familiar with the applicant such as former employers, personal references, business associates, and others.
- o Documenting the disposition of all potential problem areas noted and disqualifying information obtained.

The Chairman may approve a management contract only if, among other things, it meets the standards of part 531 and §533.3 of the Commission's regulations. However, the Chairman shall disapprove a management contract for class II gaming if he or she determines that --

- o any person with a direct or indirect financial interest in, or having management responsibility for, a management contract:
 - is an elected member of the governing body of the tribe that is party to the management contract;
 - has been convicted of any felony or any misdemeanor gaming offense;
 - has knowingly and willfully provided materially false statements or information to the Commission or to a tribe;
 - has refused to respond to questions asked by the Chairman in accordance with his responsibilities under this part; or
 - is determined by the Chairman to be a person whose prior activities, criminal record, if any, or reputation, habits, and associations pose a threat to the public interest or to the effective regulation and control of gaming, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gaming or the carrying on of related business and financial arrangements;
- o The management contractor or its agents have unduly interfered with or influenced for advantage, or have tried to unduly interfere with or influence for advantage, any decision or process of tribal government relating to the gaming operation; or
- o The management contractor or its agents has deliberately or substantially failed to follow the terms of the management contract or the tribal gaming ordinance or resolution adopted and approved pursuant to this Act; or

- o A trustee, exercising the skill and diligence to which a trustee is commonly held, would not approve the contract.

The Chairman may disapprove a management contract for class III gaming if he or she determines that a person with a financial interest in, or management responsibility for, a management contract is a person whose prior activities, criminal record, if any, or reputation, habits, and associations pose a threat to the public interest or to the effective regulation and control of gaming, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gaming or the carrying on of related business and financial arrangements.

On February 22 of this year regulations covering the review and approval of tribal gaming ordinances and management contracts and compliance and enforcement procedures took effect. This has allowed the Commission to begin the operational phase of its work. Among other things, the Commission is in the process of initiating civil enforcement actions. However, it would be inappropriate for me to identify particular targets.

During this period the Commission has:

- hired and trained six field representatives;
- entered into a Memorandum of Understanding with the FBI concerning criminal records checks;
- made site visits to substantially all gaming tribes and tribal gaming operations to --
 - inform them of the regulatory requirements to which they are now subject, and
 - gather information needed by the Commission for regulatory purposes;
- hired financial analysts;
- processed hundreds of fingerprint cards for the tribes pursuant to a new FBI policy statement;
- begun reviewing and approving --
 - tribal gaming ordinances, and
 - management contracts;
- begun conducting background investigations;
- developed and issued guidance to the tribes in the form of Tribal Bulletins (copies being furnished for the record); and
- developed a model gaming ordinance for the tribes.

It is the stated policy of the Commission to work with the tribes to obtain compliance with the IGRA, the Commission's regulations, and the tribal ordinances. We believe that this approach is in the best long term economic interest of the tribes, and vital to achievement of tribal self-sufficiency. We will be happy to answer any questions.

Thank you.

<p>NATIONAL INDIAN GAMING COMMISSION BULLETIN</p>

No. 93-2

June 22, 1993

Subject: Procedures for Processing Fingerprint Cards

The National Indian Gaming Commission (NIGC) is currently implementing procedures to process fingerprint cards submitted by tribes as part of their employee background investigations. This bulletin is intended to provide you with information concerning the steps to be followed to ensure the prompt processing of all submitted fingerprint cards.

Under the NIGC's ordinance regulations, prior to the issuance of a license, a tribe is required to perform a fingerprint check, through the FBI records system, as part of the background investigation on each individual who has applied for a position as a key employee or primary management official in its gaming operation[s]. The information obtained as a result of this fingerprint check will assist the tribe in determining the applicant's suitability for employment.

The FBI has recently issued a policy statement concerning access to criminal history record information (CHRI) by the NIGC, state agencies and tribal governments. A copy of this policy statement is enclosed for your information. As you will note, under this policy the NIGC is authorized to process fingerprint cards and issue copies of the reports of the fingerprint checks directly to the requesting tribes. Because of the highly sensitive nature of the reports, the FBI has required the NIGC to take steps to ensure that there is no improper dissemination of CHRI, that the information is used only for authorized purposes, and that the CHRI is securely maintained.

In order to ensure compliance with these FBI requirements, it is necessary for each tribe receiving CHRI to execute the enclosed Memorandum of Understanding (MOU). The MOU also places certain restrictions on the use of CHRI in administrative and judicial proceedings, reserves NIGC's right to furnish the tribe CHRI in the form of summary memoranda, restricts the availability of NIGC employees to testify relative to CHRI, reserves NIGC's right to discontinue providing CHRI where a tribe has failed to comply with the terms of the MOU, and acknowledges the FBI's right to impose additional restrictions on the release of CHRI.

FBI policy also authorizes CHRI access by state regulatory agencies and tribal governments under certain specified conditions (see Policy Statement at pages 4-5). Tribes should determine if the conditions exist which would permit them to process fingerprint cards directly or through a state agency. Where the qualifying conditions have been met, the tribe may elect to use such agencies to process its fingerprint cards. It should be noted, however, that under current FBI policy, such requests will not routinely be processed through Bureau of Indian Affairs (BIA) law enforcement offices. The language contained in the Preamble to the NIGC's final ordinance regulations indicating that the BIA is available for such purposes is inaccurate and should be disregarded. BIA law enforcement offices may, however, continue to take the fingerprints of applicants for key employee and primary management official positions and forward the subject fingerprint cards to the NIGC for processing.

Set forth below are the steps to be followed whenever a tribe elects to use the NIGC to process the fingerprints cards of applicants for employment in its gaming operations:

1. A duly authorized official of the tribe should execute the enclosed MOU and return it to the NIGC at the earliest possible date. No copies of criminal history reports will be forwarded to a tribe until the NIGC has received a properly executed MOU.
2. The tribe should notify the NIGC which law enforcement agency/office(s) will be taking the fingerprints for the tribe and designate a contact person at the identified agency/office(s). In addition, the tribe should indicate the number of cards which the NIGC should send to this agency/office making allowances for lost or damaged cards. The forwarded cards will reflect the Originating Agency Identifier (ORI) number assigned to the NIGC by the FBI.
3. The tribe should provide NIGC with a list of individuals whose fingerprint cards the NIGC will be receiving from the law enforcement agency/office and a check to the National Indian Gaming Commission to cover the cost of processing those cards (number of cards X \$35.00). The list should also contain the social security number and date of birth of each listed individual and the name of the law enforcement agency/office taking the fingerprints. The \$35.00 per card charge for processing consists of a \$17.00 fee charged by the FBI and \$18.00 to cover NIGC's costs, including personnel, postage and telephone.
4. Once fingerprints have been taken, the agency taking the prints should forward the completed cards directly to the NIGC. The NIGC will process only those cards received directly from a law enforcement agency.

5. Once the NIGC receives: 1) the completed fingerprint card; 2) the required list of the individuals whose fingerprint cards the NIGC will be receiving and 3) a check to cover costs, it will forward the fingerprint cards to the FBI for processing. The FBI is currently averaging 21 working days to process a fingerprint card.

6. Upon completion of the fingerprint check, the FBI will forward a report of the findings to the NIGC. Subject to compliance with the conditions set forth in the enclosed Memorandum of Understanding (MOU), NIGC will forward a copy of this report to the submitting tribe to be used in determining of the suitability of the applicant for employment in the tribe's gaming operation.

7. The NIGC will retain the original reports and the processed fingerprint cards and will incorporate them into the Indian Gaming Individual Records System. This system will be subject to the Commission's Privacy Act Procedures. see 25 CFR Sections 515.1-12 (58 FR 5814-5818, January 22, 1993).

NIGC regulations require a tribe to perform a background check on applicants for key employee or management official positions following approval of a tribal ordinance by the Chairman. In order to facilitate the prompt distribution of CHRI, however, the NIGC will process fingerprint card submissions which meet the requirements of Paragraph 5 prior the approval of a gaming ordinance.

It is important to note, however, that until such time a tribe's gaming ordinance has been approved by the Chairman, the procedures for forwarding employee applications and investigative reports set forth in Sections 558.3 and 558.4 cannot be initiated by the tribe and the time periods contained in those provisions do not begin to run. It should be further noted that if the tribe is conducting a background investigation consistent with the requirements of Part 556, the CHRI constitutes only one of a number of sources of information which the tribe must consider in making eligibility determinations for employment in its gaming operation.

These procedures are effective immediately.

For additional information contact Fingerprint Processing at (202) 632-7003.

FBI POLICY ON INDIAN GAMING REGULATORY ACT SUBMISSIONS BY THE
NATIONAL INDIAN GAMING COMMISSION (NIGC), STATE
IDENTIFICATION BUREAUS, AND TRIBAL GOVERNMENTS

Pursuant to the Indian Gaming Regulatory Act (codified at Title 25, United States Code, Section 2701 et seq.), the NIGC promulgated regulations defining various NIGC gaming responsibilities (25 Code of Federal Regulations, Part 501 et seq., published January 22, 1993 in the Federal Register). NIGC contacted the Access Integrity Unit (AIU), Audit Section, Criminal Justice Information Services Division (CJIS), and the Identification Division (ID), with respect to access to FBI criminal history record information under the Act and NIGC regulations. AIU has also been contacted by several state identification bureaus on the same subject. This statement of policy, intended for distribution to the NIGC, Indian tribal governments, and state bureaus, sets out FBI policy and procedures with respect to requests for access to FBI criminal history records under the Act, the NIGC regulations, state/tribal compacts, and state law.

1) Requests from the NIGC -

The Indian Gaming Regulatory Act does not specifically authorize NIGC access to FBI criminal history record information (CHRI) for background screening purposes. Section 2708 of Title 25 of the United States Code (U.S.C.) (which is part of the Indian Gaming Regulatory Act, as codified) reads as follows:

"The Commission may secure from any department or agency of the United States information necessary to carry out this Act. Upon the request of the Chairman, the head of such department or agency shall furnish such information to the Commission, unless otherwise prohibited by law."

We believe that Section 2708 itself provides sufficient basis for providing FBI CHRI to NIGC "unless otherwise prohibited by law." The Menard case effectively prohibited dissemination of CHRI to state and local agencies for licensing and employment purposes. Menard did not impose a similar prohibition on dissemination of CHRI to Federal agencies. 28 C.F.R., Section 20.33 explicitly authorizes dissemination to Federal agencies authorized by Federal statute or executive order. It is our opinion that Section 2708 authorizes direct dissemination of CHRI to NIGC for, under the standard established by 28 U.S.C., Section 534, its "official use."

The extent to which "official use" encompasses access to CHRI by NIGC is determined by NIGC's duties as defined by the Act. NIGC has direct authority to approve management contracts for both Class II (bingo and related activities) and Class III (casino-type operations) activities. 25 U.S.C., Section 2705(a)(4). The nature of the background screening to be undertaken, at least as to Class II management contracts and particular persons stated therein, is defined by Section 2711 (a)(1) and (e). Clearly Class II management contract approvals require criminal history screening of persons intimately connected to the management contractor (such as directors of a corporate contractor). Submissions to the FBI by NIGC for this purpose are authorized.

NIGC'S responsibility with respect to approval of Class III management contracts does not appear to include screening based on criminal history information. Authority for Class-III screening is found in Section 2710(d)(9), which specifically excludes the reviews in Section 2711(a) and (e), which establish criminal history record screening. NIGC's own interpretation in its commentary to 25 C.F.R., Parts 531, 533, 535, 537, and 539 is consistent with this interpretation, insofar as this exclusion assigns responsibility to the tribes for performance of preapproval criminal history screening. NIGC's regulations (and commentary), however, express its determination, under NIGC's general authority to protect tribes from organized crime and corrupting influences, to disapprove or revoke management contracts, including Class III contracts, if management personnel have disqualifying criminal records. See 25 C.F.R., Sections 533.6 and 533.1. This interpretation is entirely consistent with the purposes of the Act, and therefore, submissions by NIGC relating to approval, disapproval, or revocation of Class III management contracts will also be accepted and processed by the FBI.

NIGC, in its regulations, also asserts authority to conduct background screening of primary management officials and key employees for gaming conducted by tribes without third-party management contracts. Under Section 2710(c)(1) and (2), NIGC is authorized to consult with law enforcement officials concerning Class II gaming licenses issued by a tribe, and to facilitate license suspension if "primary management official(s) or key employee(s)" fails to meet standards set out in Section 2710(b)(2)(F)(ii)(II). That subparagraph provides for disqualification of primary management officials or key employees for, among other reasons, "criminal record...pose(s) a threat to the public interest or to the effective regulation of gaming." Based on the combination of these provisions, NIGC's official use of CHRI extends to background screening of Class II primary management officials and key employees.

NIGC's authority as to Class III primary management officials and key employees is less clear, but in our view, valid nonetheless. Parts 556 and 558 of the NIGC regulations assert this authority unless a tribal-state compact has allocated this responsibility exclusively to the state or state agencies. As the agency charged with effectuation of the IGRA, NIGC's interpretation of its provisions must be viewed as authoritative. As such, NIGC fingerprint submissions for Class III primary management officials and key employees, absent a preemptive tribal-state compact, are within NIGC's "official use" and will be processed by the FBI.

Our review of the Act reveals no explicit authority for direct access to FBI CHRI by Indian tribal governments. As previously stated, Section 2708 does not constitute, in our view, such an authorization because of the ending phrase "unless otherwise prohibited by law." The Menard case is such a -- prohibition. This prohibition is now set out in 28 C.F.R., Section 20.33. The only exception by which state and local agencies may access FBI CHRI is through state enactment of Pub.L. 92-544 statutes or an express Federal statute. As stated, Section 2708 by its own terms is not such a Federal statute.

We also do not believe that language in the Act requiring criminal background checks or defining eligibility in relation to the existence or nonexistence of criminal records constitutes such an express Federal statute. Our longstanding policy has been that Congress must clearly define an exception to the Menard prohibition authorizing access to CHRI for non-Federal licensing purposes. The FBI has never recognized such an exception solely from language indicating that background screening should be undertaken, nor from language indicating that some form of criminal record is a disqualification from licensing or employment. We have reviewed the statutory history of the Act and can find no indication that Congress intended for tribal governments to access FBI CHRI. In fact, we believe Section 2708 to state the contrary intent.

Access by the tribes may be claimed based on Section 2710(c)(3) and (4) of the Act. Under that Section, NIGC may issue a certificate of self regulation to a tribe operating Class II games, based on, inter alia, the implementation of an adequate system for "investigation...of all employees." Perhaps more importantly, NIGC must review tribal ordinances authorizing Class II gaming to ensure, inter alia, that the ordinance ensures that background investigations are conducted in primary management officials and key employees. Section 2710(b)(2)(F). This ordinance must also establish a standard for disqualification of such officials or key employees, which includes "criminal record" which would "pose a threat to the public interests or to the effective regulation of gaming." Section 2710(b)(2)(F)(ii)(II).

These provisions discussed are not similar to nor do they approach the explicitness of previous Federally legislated authorizations for non-Federal agency access to CHRI. See for example 15 U.S.C., Section 78q ("Notwithstanding any other provision of law, in providing identification and processing functions, the Attorney General shall provide the Commission and self-regulatory organizations designated by the Commission with access to all criminal history record information."). An assertion by a tribe of direct access to FBI CHRI under these provisions would be, in our view, erroneous.

Secondary dissemination of CHRI by NIGC is controlled by 28 C.F.R., Section 20.33(b) and 28 U.S.C., Section 534(b). Both provisions authorize sanctions for secondary dissemination outside the receiving department or "related agencies." A related agency logically could be a tribal government or subdivision thereof which is participating with NIGC in background screening or activity related to official NIGC use of CHRI as described above. The requirement of Section 534(a) that the related agency must be a "governmental agency" must also be met, so that secondary dissemination of CHRI to a tribal government could only occur to a tribe recognized by the U.S. or a state as a valid tribal government.

The FBI has traditionally defined the boundaries of authority for access to CHRI (in the absence of a more authoritative definition, such as by the Courts), and then allows the accessing agency to screen its requests to ensure those boundaries are respected. NIGC will be provided with an Originating Agency Identifier (ORI) to allow for proper submissions under its authority and should be informed of the extent of that authority. Thereafter, submissions would not be reviewed by the FBI for compliance, except to the extent that any future audit program will review submissions and dissemination logs.

2) Requests from State Regulatory Agencies -

Responsibility for regulation of Class III gaming is joint between states and tribes. There is no language in the Act authorizing states or tribes to receive FBI criminal history for background screening, and as discussed, Section 2708 does not authorize access to CHRI by the tribes or state agencies. For this reason Pub.L. 92-544 can be the only avenue by which authorization can be established for access to FBI CHRI. If a state enacts or has enacted a law pursuant to Pub.L. 92-544 for background screening for gambling purposes and a state agency designated thereunder has assumed responsibility for Indian gaming (by state-tribal compact, for example), access to FBI CHRI is authorized.

Note that the existence of a tribal-state compact alone does not authorize access to FBI records. Pub.L. 92-544 requires a state "statute." Our interpretation, supported by OLC opinions, is that any law authorizing access under Pub.L. 92-544 must be legislatively enacted (or the equivalent to legislative enactment). A state executive order or administrative regulations cannot create a Pub.L. 92-544 authorization. The compact we have previously reviewed, between the State of Connecticut and the Mashantucket Tribe has been legislatively recognized and is, therefore, a "state statute" under Pub.L. 92-544. Submissions will be accepted thereunder by the terms created in that Compact.

Secondary dissemination to tribal governments would be permissible under the same conditions specified in section one (1) above. Such dissemination could occur to a lawfully recognized tribal government which is assisting the designated state agency with a background investigation and therefore has need for such information.

3) Requests from Tribal governments -

As previously stated, the Act contains no language purporting to authorize access to FBI records by tribal governments and therefore, Pub.L. 92-544 is the only avenue for such access. Pub.L. 92-544 authorizes such exchanges with state and local governments' for noncriminal justice purposes pursuant to a state statute. We believe that a recognized tribal government can be an eligible governmental entity under Pub.L. 92-544, and therefore, can receive FBI records directly if authorized by state statute (approved by AIU). A tribal ordinance could not effect that authorization. A tribal-state compact, as previously discussed, can effect such authorization only if enacted (or the equivalent thereof) by a state legislature.

No secondary dissemination would be permitted outside the tribal government in any case, except to governmental agencies assisting in any authorized background screening activity.

As to both state and tribal requests, our mission will be to review and approve the authorization requests by reviewing statutes submitted under Pub.L. 92-544 and 28 C.F.R., Section 0.85(j). Once approved, the burden, as with all Pub.L. 92-544 submissions, then falls on the state bureaus to screen submissions to ensure that any submission falls appropriately under the authorized purpose.

Our analysis above reconciles existing law and regulations concerning the FBI's authority to exchange criminal history information with Federal, state, and local governmental agencies and the IGRA and NIGC's regulations. As noted, the Act, in distinguishing Class II and Class III gaming, creates somewhat different regulatory schemes and, therefore, may impose different duties on NIGC. Bingo (Class II) is widely legal for both charitable and noncharitable purposes in most states. Thus, as to Class II gaming, the Act clearly establishes NIGC responsibility for screening of management contractors and associated individuals, when gaming is contracted out by a tribe, and primary management officials and key employees, when the gaming is conducted by a tribe itself.

NIGC's role is more limited in Class III gaming under the IGRA, especially when tribal-state compacts are in existence. NIGC will be able to submit fingerprints for management contractors and associated individuals. In all other areas, the high degree of regulation accorded to Class III gaming is generally to be accomplished jointly by tribes and states. Background screening of primary management officials and key employees may be conducted by NIGC, unless preempted by a tribal-state compact which places this responsibility elsewhere. It should be noted that background screening on gaming employees who do not fall within the definition of "primary management official" or "key employee" is within the exclusive province of Pub.L. 92-544 approved statutory enactments.

Submission Procedures

1) NIGC will be informed of the interpretation contained herein, along with the following information:

a) That NIGC will be assigned an appropriate ORI and given fingerprint cards for its submissions as authorized;

b) That NIGC submissions will be billed to NIGC at the existing governmental rate of \$17.00.

2) That state identification bureaus will be informed of the interpretation contained herein, along with the following information:

a) That state statutes and supporting materials will require review under 28 C.F.R., Section 0.85(j) and Pub.L. 92-544 by the Access Integrity Unit;

b) That where such processes are in existence the processing of fingerprint cards for authorized state agencies will be subject to the existing Federal user fee of \$23.00.

c) That authorized tribal governments may submit through the appropriate state identification bureau on a tribal ORI to be paid at \$23.00.

MEMORANDUM OF UNDERSTANDING
REGARDING THE DISSEMINATION OF CRIMINAL HISTORY RECORD
INFORMATION BY THE NATIONAL INDIAN GAMING COMMISSION

In order to facilitate the undersigned tribe (Tribe) in determining the suitability of individuals who have applied for employment as key employees and primary management officials in its gaming operations, the National Indian Gaming Commission (NIGC) will be obtaining criminal history record information (CHRI) from the Federal Bureau of Investigation (FBI) on these individuals and disseminating such information to the Tribe.

This memorandum sets forth the following conditions under which the NIGC will provide CHRI to the Tribe:

1. The FBI has retained the right to approve the dissemination of CHRI and may at some future date prohibit the NIGC from disseminating CHRI. It is understood by the Tribe that the NIGC will not release any information without having received all required prior approvals from the FBI and will not release any information where prohibited from doing so by the FBI. It is further understood that the FBI may impose restrictions on the release and use of the CHRI in addition to those imposed by the NIGC and that the Tribe will be subject to all such additional restrictions.
2. The CHRI provided by the NIGC may be used by the Tribe solely for the purpose of determining a particular applicant's suitability for employment in the Tribe's gaming operation(s).
3. NIGC responses will only contain CHRI information on a particular applicant and will not contain recommendations or conclusions of the NIGC. The NIGC reserves the right to furnish to the Tribe summary memoranda containing the results of the information search of the criminal history records maintained by the FBI.
4. CHRI provided to the Tribe shall be afforded proper security. The Tribe shall ensure that access to all CHRI furnished by the NIGC, including all summary memoranda, is restricted to personnel directly involved in licensing deliberations. The Tribe shall maintain records of the identities of all persons receiving access to the CHRI and such records shall be furnished to the NIGC upon request.

5. Except in connection with proceedings related to the Tribe's licensing determinations for gaming employees, neither the CHRI nor any summary memoranda furnished by the NIGC shall be reproduced, disseminated, or introduced in a court of law or administrative hearing, without the prior written consent of the NIGC.

6. Employees, past and present, of the NIGC will not be called as witnesses to testify relative to CHRI disseminated to the Tribe before any Tribal court or in any Tribal administrative hearings, except in extraordinary circumstances to be determined by the NIGC.

7. Any request for access to the provided CHRI by the individual who is the subject of the CHRI shall be referred to the NIGC for processing and an appropriate response pursuant to the Freedom of Information and Privacy Acts (Title 5, USC, Section 552 and 552a).

8. Tribal authorities will be promptly notified in the event that the NIGC determines that it is necessary to discontinue providing CHRI information to the Tribe (either in whole or in part) due to the Tribe's failure to comply with the conditions set forth in this memorandum.

The Tribe acknowledges and consents to the above-stated conditions on this _____ day of _____, 199__.

Tribal

Authorized Tribal Official

Mr. HOPE. Class I is traditional tribal games generally played by tribal members in conjunction with tribal ceremonies; that is completely regulated by the tribes. Class II gaming is essentially bingo, pull tabs and associated games. Those are regulated primarily by the tribes with oversight by the Commission. Class III is all other gaming, including electronic, electromagnetic machine games, poker, jai alai, horse racing, craps, everything else—lotteries, everything else that you can gamble on.

Mr. ABERCROMBIE. And Class III is generally the bone of contention with respect to the publicity and the confrontations. Is that not the case?

Mr. HOPE. That is true. Class 3 competes with Nevada and Atlantic City.

Mr. ABERCROMBIE. Okay. Continue.

Mr. HOPE. In most of the examples that were cited by Mr. Torricelli and Mr. Trump as to organized—their alleged 22 organized crime incidents, occurred prior to the passage of the Act. Some of these incidents I am familiar with. Some of them do not involve indication of organized crime. I do not have the whole list, I just heard them mention seven or eight of them.

There are a couple of issues as to whether or not various people are members of organized crime. In several cases I have ongoing investigations the contents of which I am not able to divulge at this time.

In terms of whether or not organized crime is engaged in Indian gaming, I don't know. We have not found it. I have had many conversations with Mr. Maloney both before and after his testimony last year. In fact, I was on that panel when he gave his testimony, and we will be vigilant in looking for it, and when we find it, we will take our regulatory action—

Mr. ABERCROMBIE. Excuse me, Mr. Hope. Mr. Maloney, for purposes of the record, is a member of the Department of Justice?

Mr. HOPE. Yes.

Mr. ABERCROMBIE. Okay. Thank you.

Mr. HOPE. His testimony has been included in this record.

When I find organized crime, I will take my regulatory action, which is twofold, to get the people out of Indian gaming, and, if I know of a crime or evidence of a crime, to turn it over to the appropriate authorities.

Enforcement in our organization is civil. We can issue fines for the violation of our regulations, tribal regulations, and the Act, and we can issue orders of closure, but criminal prosecution and criminal enforcement lies with the Justice Department with whom we coordinate.

I think that the regulatory structure that was enacted in 1988 is becoming sufficient. It is not yet sufficient because there is still a certain amount of litigation going on as to the meaning of different parts of the law, particularly machine games. We thought the litigation had been put to bed in May with the decision in the D.C. Court. But it was resurrected last week in an appeal where a stay was granted by the D.C. Circuit Court. If you have any questions about the stay, I direct them to my General Counsel, Mr. Cox.

But it is my feeling, and it is my experience, that there are sufficient controls and there is sufficient authority to carry out the ef-

fective regulation of gaming. It is just that the perception of some of the people on the prior panels is that it is not here yet. And that perception is probably accurate because, as Mr. Torricelli said, we did let gaming run loose for about 12 or 14 years before the Act became imposed upon it and we are playing catchup. It will take some time to weed out the people that need to be weeded out. But the process is under way, and I feel that the tools are adequate to the job.

Mr. ABERCROMBIE. Mr. Calvert, would you care to make any commentary or questions at this point?

Mr. CALVERT. Thank you, Mr. Chairman. I just, as you know, just walked back into the hearing.

Mr. ABERCROMBIE. Would you like a moment to gather your thoughts?

Mr. CALVERT. Just a few more minutes, if you wouldn't mind.

Mr. ABERCROMBIE. Sure.

Mr. Quasula, you are in charge of the Division of Law Enforcement; is that correct?

Mr. QUASULA. For the Bureau of Indian Affairs, yes, sir.

Mr. ABERCROMBIE. Well, you just heard Commissioner Hope, Chairman Hope's remarks. Would you care to amplify on those remarks in the context of the question I asked about the ability of those engaged—those tribes engaged in gaming, to forestall penetration by organized crime?

Mr. QUASULA. I would have to agree that there has been a concerted effort by tribal leadership and others in Indian gaming to ferret out what is there. Going back to Mr. Trump's statement, I have got to disagree in that we have a strong relationship amongst BIA law enforcement people, tribal law enforcement people, States, counties, the FBI, the Office of Inspector General, not only with law enforcement issues that come up with Indian gaming, but with any law enforcement matters that arise on Indian reservations.

I think it is fair to say that we believe that we always could do with more people, and it behooves us to establish lines of communication and have a cooperative working relationship with any law enforcement agency.

Mr. ABERCROMBIE. Have you ever had a request made of you by a State or any other regulatory agency, authorized regulatory agency under a compact agreement, which you refused or which you argued with?

Mr. QUASULA. No. I think that we have cooperated to the hilt. We have made a deliberate effort to share names with State law enforcement people, with county law enforcement people, with the FBI. In fact, we have a written Memorandum of Understanding with the FBI to check, name check, fingerprint check, for anybody that wants to get into Indian gaming. And we have been more than cooperative with anybody that is interested in making sure that people who are involved in Indian gaming are on the up and up.

Mr. ABERCROMBIE. Has any agency within which there is an agreement under compact arrangements, ever registered a formal complaint with your division as to a lack of cooperation with respect to law enforcement?

Mr. QUASULA. Not to my knowledge, no.

Mr. ABERCROMBIE. How long have you been on the job?

Mr. QUASULA. With the Bureau of Indian Affairs, a little over 19 years; here at headquarters, a little less than three years.

Mr. ABERCROMBIE. So you have actually been in the law enforcement end of this for the majority of the time the law has been in existence?

Mr. QUASULA. That is correct.

Mr. ABERCROMBIE. You have heard the testimony of Commissioner Hope and Secretary Deer of the IRS. Now, they didn't go into, Mr. Palmer didn't go into necessarily all of the testimony, you may not have had a chance to read it yet. I commend it to your attention. But from what you heard, could you comment on the suggestions of the IRS with respect to improvements that might be made under the law in the area of the Bank Secrecy Act, et cetera, in the context of improving the capacity of Indian gaming to forestall criminal activity?

Mr. QUASULA. You know, personally, I am not totally familiar with the statutes they are talking about because that is not something we do every day. We rely on IRS and others to have the expertise. But I would think that across the board, if it is going to ensure just that much more that Indian gaming is on the up and up, then I would think that anybody would welcome that.

Mr. ABERCROMBIE. Well, I think the thrust, just so I make sure that my questions to you are clear, the thrust of the IRS testimony and the Department of Justice testimony was not that the casinos were acting in a derelict manner, but rather that those individuals and groups who might want to take advantage of the casino operations for their criminal activity could be more thwarted than they are now, should their recommendations be put into place.

Mr. ABERCROMBIE. Secretary Deer, do you have a comment on that testimony?

Ms. DEER. I have not had an opportunity to read it, but I believe that the Indian tribes are open for ideas to improve operations and to keep the operations accountable, honest and efficient, and so it would be my assumption that there would be a discussion and study of this, and if this was determined to improve the operations, then it probably should be.

Mr. ABERCROMBIE. Chairman Hope?

Mr. HOPE. Mr. Chairman, we serve on the committee with the Treasury, working on this issue, and to my knowledge, there is no Indian tribe which has an objection to this being incorporated in the process.

Mr. ABERCROMBIE. What I would ask you to do, then, is take a look at the IRS testimony. Perhaps over the next two weeks while the record is open, you might want to submit some commentary on it or some observations on that testimony for the record. Could I ask you to do that? I think it would prove very helpful to us.

Commissioner McKeag, I started with you, and you didn't get an opportunity to speak. Would you care to comment on anything that has been said to this point or amplify any other—I would like you to answer, if you could, in a further context—Mr. Trump made, from my point of view, some rather unfortunate observations with respect to the capacity or desire of Indians to address some of the questions that he raised. I presume as a member of the Indian Gaming Commission you have a view on that?

Ms. McKEAG. Well, quite frankly, I wish one of the Members of the committee had asked Mr. Trump if he ever visited an Indian casino or an Indian bingo operation, but be that as it may, I do want to emphasize what the Commission's role is as part of this Act. Mr. Hope said we have civil enforcement responsibility. We are the preventive medicine arm of the Act. We do the background investigations which assure that the criminal element does not become involved in Indian gaming.

In the existing operations, we can call in any contract where we suspect there may be some problem. We have hired field staff which have visited substantially all gaming operation in the entire country, since becoming operational on February 22nd of this year.

In the testimony, there is a list of what we have done, including working with the FBI, with our memorandums of understanding, so that we can process fingerprints. We can have access to the FBI's criminal records that are available to us, so that we can find out whether or not there may be some criminal element. When it comes to actually enforcing that, we have to turn to the FBI, and they do the actual enforcement of the criminal problems on the reservation.

Mr. ABERCROMBIE. Thank you.

Commissioner Frank, would you care to comment at this juncture?

STATEMENT OF HON. JOEL FRANK

Mr. FRANK. Thank you, Mr. Chairman.

One of the things I would also like to point out is that the act does say that we are oversight, and that we have oversight responsibility when it comes to the regulating of Indian gaming, and that the primary responsibility of regulating lies with the tribes. And to that end, I think that some of the earlier comments that were made by earlier panels suggested that there was no regulation whatsoever, that, I could point out, that there are tribes out there that do have the sophistication and the capability of regulating maybe far superior than maybe some other States or organizations in law enforcement may have or may not have, and that they have demonstrated that.

I think there is one group down in Florida that have exercised their governmental regulatory responsibilities in trying to make sure that there are no criminal elements in their gaming operation, and that is still going on as an ongoing review.

I think that as far as a review is concerned, that is something that is never going to cease, and I think that as more tribes expand their regulatory enforcement capabilities, we are going to see even greater scrutiny than what the current law in which Indian gaming is now currently regulated. So I just wanted to point that out.

Mr. ABERCROMBIE. Thank you.

I don't want to anticipate Mr. Calvert's question, but he did raise some questions before about possible management contracts with existing casino operations and Class III operations in California and some of the questions that that might raise.

If you are ready, Mr. Calvert, having established that context, which I found very interesting and informative, I would defer to you at this juncture.

Mr. CALVERT. Thank you, Mr. Chairman.

As I stated in my opening statement, I am supportive of Class I and Class II gaming in the State of California. And in my mind's eye, that is not the issue today, as far as it relates to California. It is the issue of Class III gaming that is presently taking place in California, which, as you know, we have no law in California that allows Class III gaming.

There are several reservations that have slot machines in San Diego County, I believe all of those operations are in San Diego County, approximately 700 slot machines. And as I understand the limits of your responsibilities in the—as far as your regulatory limitations, that you can only regulate Class I and Class II gaming; is that correct, in California?

Mr. HOPE. Well, most of those machine games are in Class II operations. And insofar as we regulate Class II operations, we forbid the operation of Class III gaming without a compact. The current situation is—and this is not limited to San Diego County but, in fact pandemic throughout the State of California—that the tribes have taken the position that the act includes “electronic devices” as bingo or pull-tabs.

They have sued us to prevent our enforcing the Act. And we have won in court, in a 25-page opinion by the judge in the district court. And they have appealed. And as part of the appeal, they requested that the Court of Appeals grant them a stay, pending the appeal, and that was granted by the Court about two weeks ago.

It is very difficult to marshal the forces of the U.S. Attorneys and to convince them that it is a useful expenditure of their money to prosecute these machine games at a time when some of the California tribes have sued us over the machine games. Three of those tribes are from California and have a “stay” against our enforcing the law. Coupled with this, is the possibility that these may become legal by another decision in California by Judge Burrell, which is being appealed by the State on the question of whether or not the State is required to negotiate for this form of gaming. So it is the courts that are slowing us down, at this point.

Mr. CALVERT. The point that I am trying to arrive at in the interim, while this stay is in effect, is there any regulation at all on those slot machines?

Mr. HOPE. The tribes—

Mr. CALVERT. Since that is Class III gaming?

Mr. HOPE. The tribes consider them to be Class II and are regulating them as though they were Class II gaming.

Mr. CALVERT. So they are self-enforcing their own machines?

Are you involved in regulating the—let me ask this question—

Mr. HOPE. No, we are not involved in regulating machine games.

Mr. CALVERT. Do you know what the source of money, where the source of money came from to acquire those machines?

Mr. HOPE. My understanding is generally that they came from the profits of the other Class II operations.

Mr. CALVERT. But again, that is from listening to those individuals who are operating the casino themselves as a Class II casino, the Indian tribe itself?

Mr. HOPE. Yes.

Mr. CALVERT. The revenue, then, there is no trace or no track on that revenue that is being generated by those slot machines, at the present time, because there is no compact with the State of California?

Mr. HOPE. We do not regulate them, that is correct. And I don't think it is anyone else's jurisdiction other than the tribes to regulate, I don't think there is a claim of jurisdiction elsewhere.

Michael, would you—

STATEMENT OF MICHAEL COX

Mr. COX. My name is Michael Cox, I am the General Counsel to the National Indian Gaming Commission. The way the Commission regulates the revenues would be through the review and approval of the management contracts the tribes may have entered into with their management company which would include the operation of their bingo games and those machines. So the Commission, in some instances, has called in some of the contracts in California for review of those contracts, and also to conduct background investigations on those persons that have a financial interest in the contract.

So the Commission does have the capability and is going to be looking at the source of and where the revenues are going, and how they are being used. That is part of the Commission's responsibility under our management contract review and also the ordinance review, tribal—Indian tribes have to have tribal gaming ordinances which are approved by the Commission. And one of the requirements of those ordinances, is the tribes have done annually an independent audit of their gaming revenues, and that has to be submitted to the Commission.

Mr. CALVERT. I understand, at the present time, we do not know what the source of funds were for those slot machines nor do we know where those dollars are going to from the slot machines; is that accurate to say?

Mr. COX. At the present time, we do not know where—how the revenues are being used or where the tribes obtained the money to acquire the machines. In some cases, as the Chairman pointed out, they were through the revenues from their bingo operations. In other cases, they are leased from leasing companies who come into the State of California and who share the profits with the tribe, and those monies are leaving the State, going into the pocket of those vendors.

Ms. McKEAG. Excuse me, if I could just add to that, Mr. Calvert, that does not mean that we will not be able to know. As indicated in our testimony, we became operational on February 22nd. Therefore, only recently have we had review management contracts.

Before February 22, 23 did not have authority to review audits or call in and review existing management contracts where there were questionable operations or use of the funds or the source of the funds. In addition, our field staff could not go out and collect that kind of information. We do now, and we intend to do our job.

Mr. CALVERT. Let me ask a—I don't want to ask speculative questions, but we have heard a lot of that today, so I will carry that on. The stay that is in place now, we have a case in California, you mentioned earlier, Mr. Hope, which may allow Class III gam-

ing to take place in California. And at the present time, there isn't a compact with California, obviously, because we don't allow Class III gaming in the State of California.

We have 94, I believe is it 94 federally recognized Indian tribes in California. I think it is also accurate to say that many legitimate casino operators, such as Caesars World, are coming into California looking for management agreements to operate on tribe property, based upon the fact, I think, that they want to operate Class III gaming, not Class I and Class II gaming.

Mr. HOPE. I am sure that they have negotiated these agreements in anticipation that Class III gaming would become legal. I know that they would never risk losing their Nevada licenses by operating in a gray area in some other State.

Mr. CALVERT. So in anticipation that Class III gaming will come to California, many legitimate operators from Nevada and elsewhere are coming into California looking for management agreements?

Mr. HOPE. The Agua Caliente Agreement, to which you referred, has not been submitted to us yet. They have not finished their agreement. But my understanding is that it provides only for Class II and specifically for bingo and pull tabs, although they expect that if Class III becomes legal that they will manage that also.

The casino in California is a word that should not be used synonymously with Class III. There are a number of compacts in the State of California for Class III gaming, but that is only for off-track betting, at the present time. They are called casinos by a lot of people.

When you heard testimony earlier today about some number of casinos operating, that would include the five California off-track betting operations as casinos. "Casino" is generally used as anything other than Class II.

The compact with the State, whether or not there is one in California, probably will have to do with the lottery definition in California, as to who is allowed to do what.

Mr. CALVERT. The concern that I have here is that you have a relatively small staff, obviously your jurisdiction is a Class I, Class II gaming?

Mr. HOPE. Yes.

Mr. CALVERT. California could conceivably be the largest gambling State in the United States, certainly Las Vegas accounts for the majority of all gambling dollars expended in this country. There is tremendous, as you know, tremendous interest in locating casinos in California.

Mr. HOPE. Yes.

Mr. CALVERT. Do you believe, does it matter whether it was Indian reservations or legitimate casino operations that are presently located in Nevada? If you had 100 casinos in Nevada spread all over the place, do you believe that presently with your staff, with reasonable changes within the Indian Gaming Regulation Act that is being proposed, that we could monitor and make sure that crime syndicates are not involved in California?

Mr. HOPE. Yes. Not through my staff, but under the Act. If Class III gaming were allowed, there would be a compact with the tribe, among the tribes in the State of California, which would call for

regulation by the agency that the tribe and the State agreed upon, whether that was the State Police or, in some cases, tribal police or some combination or some new entity.

California recently tried to create a gaming commission through its legislature, which I understand has not yet been passed. It failed once and is up again. There would be some sort of vehicle within the State which would be financed most likely from the revenues of these casinos, so that it would not be a drain on the resources of the State of California, and would, in fact, probably provide jobs and revenue and a tax base for the State.

To say, as has been said before, that Indians don't pay taxes, is simply wrong. The tribe does not pay taxes on some income. But when that money is distributed to tribal members, that gaming income is taxed the same way as anyone else.

It is very similar to a charity, a 501 (C)(3). The charity does not pay taxes, but its employees do. And the tribe in Connecticut, you will hear on the next panel, provide a tremendous tax base for the State of Connecticut.

Mr. CALVERT. I guess the concern is that if we don't amend the Indian Gaming Regulation Act and the courts decide the Class III gaming could come to California, which is conceivable, then the concern at that point is going to be regulating gambling in California, large-scale gambling. And I just want to hear from you that you are comfortable, and from the BIA's opinion, that they are comfortable that that type of major gambling, gaming in California could be regulated and make sure that organized crime does not enter the State of California.

Mr. HOPE. I am sure that California and the tribes can come up with an adequate system, yes.

Mr. CALVERT. If I could continue.

There was one question that I asked the last panel, and I would like to ask this panel. It is common knowledge that Class III gaming is being conducted today, of course, as I mentioned earlier, on many California, New Mexico, and Washington State Indian reservations, without a tribal-state compact, including electronic games of chance, video poker, slot machines, and video blackjack. Is it not a violation of State and Federal law to conduct such gaming without a compact, assuming the States can compact the games in the first place. That is being a little redundant, I am asking that again.

Mr. HOPE. I think most of the Washington State tribes have compacts. I know there are one or two that do not in the Eastern side, but there are many compacts in place.

I would like my General Counsel, though, to answer this question, if it is all right?

Mr. COX. It is a violation of Federal law, it is certainly a violation of the Indian Gaming Regulatory Act to operate electronic games without a tribal-state compact, and it is also a violation of another Federal law, the Johnson Act, which prohibits gambling devices in Indian country.

Again, as has been pointed out, some of the tribes argue that certain kinds of games, they believe, fall within Class II gaming. The Commission rejected that, and as we have mentioned, we are in

court with the tribes on that, and we have been enjoined from conducting any enforcement with respect to those kinds of games.

With respect to other kinds of games, which clearly—machine games, which clearly fall within Class III, the recent decision by Judge Burrell in Sacramento certainly is going to cause the United States attorneys in California, who have ultimately the discretion to decide what to do about the gambling in the State by the tribes, they have to consider that decision. The judge has indicated that California does not prohibit gambling devices as a matter of public policy, believing that certain types of gambling equipment used as part of the State lottery are similar, if not identical, to the types of electronic games the tribes have requested the State to negotiate a compact for. That kind of a decision certainly requires the United States attorneys to determine whether their resources are best used on prosecuting or seizing devices which may later turn out to be the subject of tribal-state compacts.

It is a difficult kind of complex problem when you have courts that have ruled that a State is obligated to negotiate over that type of gambling while, at the same time, it is certainly not legal to operate with those machines while you are attempting to get a compact.

Mr. ABERCROMBIE. Does that satisfy the question?

Mr. CALVERT. Yes, Mr. Chairman, thank you.

Mr. ABERCROMBIE. I have nothing further at this point, then, for the panel other than to say thank you very much, and to indicate that I don't want to gamble on the endurance level of my kidneys any longer, so I will declare a five-minute recess before our fourth and final panel comes up. I trust that everyone will take advantage of it.

[Recess.]

PANEL CONSISTING OF TIMOTHY WAPATO, EXECUTIVE DIRECTOR, NATIONAL INDIAN GAMING ASSOCIATION; RICHARD JAMES ELROY, RETIRED SPECIAL AGENT, FEDERAL BUREAU OF INVESTIGATION; G. MICHAEL BROWN, PRESIDENT AND CEO, MASHANTUCKET PEQUOT NATION'S FOXWOODS CASINO AND HIGH STAKES BINGO, LEDYARD, CT, ACCOMPANIED BY LT. COL. ROBERT ROOT, CONNECTICUT STATE POLICE; F. WILLIAM JOHNSON, CEO, MYSTIC LAKE CASINO, SHAKOPEE SIOUX TRIBE, PRIOR LAKE, MN ACCOMPANIED BY POLICE CHIEF DICK POWELL, CITY OF PRIOR LAKE POLICE DEPARTMENT

Mr. ABERCROMBIE. As is often the case with an issue that has high visibility and interest when we have a panel—we have several panels, and, unfortunately, it takes some time to get to them.

I want to thank the members of our fourth panel, Mr. Elroy, Mr. Wapato, Mr. Brown, and Mr. Root, Johnson, and Powell for their patience, and I genuinely mean that. Aloha, and welcome to all of you, we are anxious to hear what you have to say.

We will move right to it with Mr. Elroy, who is a retired special agent of the Federal Bureau of Investigation.

Mr. BROWN. He is not here, sir.

Mr. ABERCROMBIE. Oh, he is not here?

Mr. BROWN. He is here, but I think he is in the men's room.

Mr. ABERCROMBIE. Is his testimony submitted?

Mr. BROWN. I don't know.

STATEMENT OF TIMOTHY WAPATO

Mr. ABERCROMBIE. Mr. Wapato?

I may have mispronounced your name.

It is Wapato, is that correct?

Mr. WAPATO. That is correct.

Mr. ABERCROMBIE. I beg your pardon.

Mr. WAPATO. Mr. Chairman, my name is Tim Wapato. Before I get into my testimony I have some people I would like to introduce. They have been sitting very patiently in the audience also.

Mr. ABERCROMBIE. Please.

Mr. WAPATO. Last month, the Mille Lacs Band of Ojibway in northern Minnesota dedicated the first permanent primary and secondary school buildings on its reservation. These schools were not built with Federal tax dollars or with State funds, but were financed entirely by revenues generated from the tribe's own casino.

I would like to welcome and introduce the Mille Lacs chairperson, Marge Anderson, along with the delegation of tribal elders and five young members from the Nay-Ah-Shing school, in the first student class. And we are very honored to have them here. I wonder—

Mr. ABERCROMBIE. Could you folks kindly stand so that we can recognize you.

Are they out in the hallway now?

They probably had the same kind of endurance problem I had.

Mr. WAPATO. Mr. Chairman, we had four elders accompany us to learn a little bit what passes for process in this hearing, and—

Mr. ABERCROMBIE. As you can tell from the previous panel, free speech reigns.

Mr. WAPATO. And I appreciate that.

Mr. ABERCROMBIE. No matter how idiotic.

Mr. WAPATO. Like they say, that is what made America great.

Mr. Chairman, my name is Tim Wapato, I am the Executive Director of the National Indian Gaming Association. As you may be aware, prior to serving as the Executive Director with the National Indian Gaming Association, I spent some time as the Commissioner at the Administration for Native Americans, which is charged with the responsibility for developing and providing grants to Indian tribes for economic development.

I also spent a considerable amount of time as a police officer. I retired from the Los Angeles Police Department as a lieutenant of detectives. During that time, I served as a lieutenant of a special investigation team investigating robberies, homicides, vice and narcotics. During that time, I had been loaned to the Bureau of Indian Affairs to assist in setting up a police department on the Colville Confederated Tribes Reservation, which is also my tribe in the State of Washington.

I have also worked as a consultant in the gaming, Indian gaming and have worked with the Sycuan Tribe of California and its gaming Commission to bring the police department and the gaming security and surveillance into compliance with the Indian Gaming Regulatory Act. I mention that because I believe with my varied

background I have some experience and knowledge to provide the subcommittee with an overview of law enforcement, of regulation, and security status in the Indian gaming industry.

I can tell you that no other economic activity in this country has more layers of regulation specifically devoted to protecting against the influence of organized crime. NIGA, as you may be aware, is an association of Indian tribes, it is a nonprofit organization working to protect tribal sovereignty and to promote tribal economic development through gaming enterprises.

It also serves to provide technical assistance to its member tribes, including law enforcement and security. Selected officers, and we have—our Chairman is in the audience, Richard G. Hill is Chairman from the Oneida Tribe. Our Vice Chairman is Dan Tucker who is from California, Sycuan Tribe. Jacob Viarrial was in the audience, I don't know if he is still here, and Nathan Small.

Mr. Chairman, in 1988, against the wishes of tribes across the Nation, and the non-Indian gaming industry with active support of State government officials fought for and secured the enactment of the Indian Gaming Regulatory Act, IGRA. This act not only did not authorize or permit Indian tribes to engage in gaming, but it, in fact, limited tribal sovereignty in this area as confirmed in the Supreme Court's decision in the *Cabazon* case.

Despite this loss of tribal sovereignty and control over economic operations, tribes were successful in making gaming a significant economic development tool. While Indian gaming amounts to only 3 percent, 3 to 4 percent of the total gaming proceeds in the United States, that 3 to 4 percent by law must be dedicated to governmental activities and governmental services.

The tribes use them, as you have heard, for such things as the school that I just spoke about, at Mille Lacs, but they also build sewer and water systems, roads, medical facilities, senior citizen facilities, and similar services. Even with this documented beneficial impact of Indian gaming on Indian and non-Indian people, we once again are faced with the threat from a small number of individuals, most of whom you heard here today, on the Federal and State level, in concert with representatives of the non-Indian gaming industry, to further erode tribal sovereignty by anti-Indian amendments to IGRA.

These individuals who you have heard have made allegations that Indian gaming is largely unregulated and is crime ridden. As you heard from a number of agencies in the previous panels, there are four or five areas of regulation that exist in Indian gaming.

The first is the Indian tribe itself, and the Indian tribe as a sovereign has the right and the duty and the responsibility to protect their membership. I would like to provide just a very brief outline of those levels of regulation that exist.

Mr. ABERCROMBIE. Mr. Wapato, your testimony will be entered in full. I have gone over it, I think it is quite detailed and to the point.

Perhaps you could summarize for us.

Mr. WAPATO. We have the four levels of regulation, the tribal regulation, you are going to hear some people on this panel, the specifics that goes into. You have the Bureau of Indian Affairs that is responsible for review and the approval of contracts; you have

the National Indian Gaming Commission who has testified, that also has the review and the oversight; you have the Federal Bureau of Investigation; you have the U.S. Attorney. All of these levels of enforcement and regulation come into play on an Indian reservation and an Indian casino. And I think that to the contrary of being unregulated or nonregulated, there are layer upon layer of regulatory authorities that are and must be exercised in Indian gaming.

I think one of the things that must be pointed out, the list of supposed infiltration by organized crime of 22 instances documented by news media and news clips are in the most part, for the large part, pre-IGRA, or passage of the law in 1988. And that we will provide to this committee in the time that the record is open, documentation of what each and every one of those so-called allegations is. I think one of the most notable cases is the Rincon case which several people spoke to.

A specific response was not given to a question that was asked of the gentleman from the FBI. That case was brought to the attention of the Federal Bureau of Investigation by the Indian tribe itself.

The overture in that case was made to an individual tribal member, not to the tribal government. The tribal government identified that, they went to the Federal authorities on several occasions before they were successful in having the Federal authorities proceed in a prosecution.

There is another alleged incident of organized crime, where somebody was supposedly hired as a hit man on the Cabazon Reservation. In that case, there was, in fact, an overture made, a person was supposedly hired to be a hit man, a person was later convicted, but it had nothing to do with Indian gaming. That was a private domestic dispute, where a hit man was hired to supposedly hit somebody. That person was convicted, served his time, and is now back out. But it had nothing to do with Indian gaming. But we will provide the documentation on that for this committee lest this committee take at face value the list of things that are on the list of 22.

[The information follows:]



October 14, 1993

The Honorable Bill Richardson
Chairman
Subcommittee on Native American Affairs
Committee on Natural Resources
1522 Longworth Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On October 5, 1993, Representative Robert Torricelli appeared before the Subcommittee on Native American Affairs to introduce and laud Donald Trump. In his prepared statement, Representative Torricelli slandered and defamed the entire Indian gaming industry by alleging widespread fraud, abuse and organized crime infiltration. Despite the testimony of the United States Department of Justice that

the belief held by some that Indian gaming operations are rife with serious criminality is not established by the data currently available,

and that

The Department of Justice believes that to date there has not been a widespread or successful effort by organized crime to infiltrate Indian gaming operations,

Mr. Torricelli attached to his statement a list of newspaper reports that he described as "22 specific examples of organized crime infiltration or corruption in tribal gaming that have been reported in the media."

Because three of these "examples" referred to the Cabazon Band of Mission Indians, we feel obligated to respond to Representative Torricelli's statement, and respectfully request that this letter be included as part of the official hearing record.

First, the statement alleges that the "Cabazon tribe (sic) in California hired a member of a local crime syndicate to run its casino." This statement is



84-245 INDIO SPRINGS DRIVE □ INDIO, CALIFORNIA 92201-3405 □ (619) 342-2593 □ FAX (619) 347-7880

false. In 1980, when the Cabazon Band originally opened its first card room, it sought recommendations for a manager from a variety of sources. Leo Durocher, the famous baseball player and manager, recommended Rocco Zangari to the Cabazon Band and Mr. Zangari was hired for that position. Less than a year later, in 1981, newspaper stories appeared alleging that Mr. Zangari's brother, a prominent Palm Springs restaurateur, had some connection with persons reported to be associated with organized crime in Philadelphia. As the result of these allegations, Mr. Zangari was summarily fired by the Cabazon Band and has had nothing to do with the Cabazon Band or its gaming activities for more than 12 years.

Next, the Torricelli statement claims that "a tribal official who accused the manager of skimming profits later was forced out of office and found dead two months later. While the case has not been solved, investigators believe that the murder was mob related." Once again, Mr. Torricelli's sensationalized account bears little resemblance to the truth. Fred Alvarez, the tribal member referred to, served one four-year term on the Cabazon Business Committee. However, in June, 1981, Mr. Alvarez was defeated for reelection (not "forced out of office") because of his increasingly erratic behavior. This behavior included seeking tribal permission to grow marijuana on his tribal allotment and his increasing association with local motorcycle gangs. A month later, Mr. Alvarez and two non-Indian Companions were shot to death in his home some distance from the Cabazon Reservation. Despite the full cooperation of the Cabazon Band, the murders have never been solved and we are unaware of any evidence that they were either "mob-related" or in any way related to his tribal affiliation.

Finally, Mr. Torricelli makes reference to the fact that in 1985, a non-tribal employee pleaded guilty and was sentenced to four years in prison for attempting to hire a person to murder the people supplying drugs to his girlfriend. This incident, while extremely unfortunate, was a personal matter and had nothing whatsoever to do with the Cabazon Band or its gaming activities. As a result, and contrary to Mr. Torricelli's allegations, this incident is not "an example of organized crime infiltration or corruption in tribal gaming" and further demonstrates the lack of substance to the Torricelli statement.

In summary, the Cabazon Band is proud of its gaming activities. They are well-run, honest, heavily regulated and have provided the tribe with a much-needed source of tribal revenues and employment. Virtually all of the progress we have made over the last thirteen years is directly attributable to our tribal gaming enterprise.

Finally, we would remind the Subcommittee and Mr. Torricelli that the Cabazon Band fought for seven years, all the way to the United States Supreme Court, to establish the right of Indian tribes to conduct gaming activities on their reservations. Throughout that long fight, the State of California never once alleged any organized crime infiltration on the Cabazon Reservation.

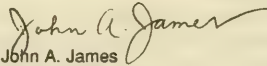
Not only were there no such allegations in the Cabazon litigation, the Ninth Circuit Court of Appeals specifically noted that while keeping criminals out of Indian gaming was a legitimate concern, "there is no evidence whatsoever that organized crime exists on these [Cabazon and Morongo] Indian reservations." Cabazon Band of Mission Indians v. County of Riverside, 783 F.2d 900, 904 (9th Cir. 1986). The United States Supreme Court reached the same con-



clusion: "California does not allege any present criminal involvement in the Cabazon or Morongo enterprises, and the Ninth Circuit discerned none." California v. Cabazon Band of Mission Indians, 480 U.S. 202, 221 (1987) .

In light of these facts and the recent Justice Department testimony, Mr. Torricelli's statement should be seen for what it is: a shameless attempt by the sponsor of the "Donald Trump Protection Act" to eliminate competition and to deprive tribal governments of the only economic development tool ever to succeed in creating tribal self-sufficiency.

Sincerely,


John A. James
Tribal Chairperson

JAJ/saw



Mr. WAPATO. I would also like to indicate, I think it is very clear and I think it came out very quickly, Mr. Trump cut to the chase. The real issue here is economic competition. It is not organized crime. It is not infiltration.

There has been only one documented case of organized crime, and that one resulted in a successful prosecution. It is very clear that what is being proposed would restrict Indian gaming, it would propose to treat Indian gaming as New Jersey gaming, commercial gaming.

Indian gaming is not commercial gaming, it is governmental gaming. If it is to be equated with any gaming it has to be equated with a State lottery, 40 States of which now have State lottery.

It is a revenue-producing mechanism for Indian tribes as opposed to a profit-making enterprise by Indian tribes. There is a big difference between revenue production and profit.

Nobody on this committee or elsewhere suggests that State lotteries should be taxed because they are governmental. And it is the same thing that Indian gaming is, I think it is very clear——

Mr. ABERCROMBIE. Mr. Wapato——

Mr. WAPATO. May I finish my thought?

Mr. ABERCROMBIE. Very well.

Mr. WAPATO. The organized crime allegations that organized crime is going to lead to the destruction of the culture on Indian reservations, that tribes will be victimized by organized crime are the furthest from the truth. Marge Anderson and the people that built the school in Mille Lacs with their gaming proceeds, have at the heart of their matter, the utmost concern for the tribal members and for the future.

If we will be victimized by anything, we will be victimized if the Donald Trump Protection Act is passed.

Thank you.

[Prepared statement of Mr. Wapato follows:]

STATEMENT

OF

TIMOTHY WAPATO

EXECUTIVE DIRECTOR
NATIONAL INDIAN GAMING ASSOCIATION

BEFORE

THE

HOUSE NATURAL RESOURCES COMMITTEE
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
CONCERNING

THE
INDIAN GAMING REGULATORY ACT

ON

OCTOBER 5, 1993

STATEMENT OF TIMOTHY WAPATO
EXECUTIVE DIRECTOR
NATIONAL INDIAN GAMING ASSOCIATION
BEFORE THE SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

October 5, 1993

Mr. Chairman, my name is Tim Wapato, Executive Director of the National Indian Gaming Association. I appreciate the opportunity to appear before this Subcommittee to testify on the issue of law enforcement regarding Indian gaming.

As you may be aware, prior to serving as the Executive Director of the National Indian Gaming Association, I have worked in various high-level positions with the Los Angeles Police Department, including Lieutenant-in-Charge of a special investigative team, investigating robbery, homicide, vice, and narcotics. I retired in 1979 after 21 years of service. LAPD loaned my services to the Colville Tribe of Washington to assist them in establishing its police department in Nespelem, Washington. Recently, I have worked with the Sycuan Tribe of California and its Gaming Commission to bring its police department and gaming security into compliance with the Indian Gaming Regulatory Act.

I mention all of this because I believe that my past experience in law enforcement and my recent experience in Indian gaming gives me the background and knowledge to provide the subcommittee with a professional opinion of the Indian gaming industry's law enforcement and security status. I can tell you that no other economic activity in this country has more layers of regulation specifically devoted to protecting against the influence of organized crime.

NIGA is a nonprofit organization working to protect tribal sovereignty and to promote tribal economic development through gaming enterprises. It also serves to provide technical assistance to its member tribes on gaming issues, including law enforcement and security. The elected officers are Richard G. Hill, Chairman; Daniel Tucker, Vice Chairman; Jacob Viarrial, Secretary; and Nathan Small, Treasurer. I am pleased to be here on behalf of our membership which represents 95 sovereign governments.

Mr. Chairman, in 1988, against the wishes of tribes across the nation, the non-Indian gaming industry with the active support of state government officials fought for, and secured, the enactment of the Indian Gaming Regulatory Act. This Act not only did not authorize or permit Indian tribes to engage in gaming, but, in fact, limited tribal sovereignty in this area as

confirmed in the Supreme Court's decision in the Cabazon case.

Despite this loss in tribal sovereignty and control over economic operations, tribes were successful in making gaming a significant economic development tool. While Indian gaming is only about 3% of the United States gaming market, net tribal proceeds from such activity have been used for tribal government services such as sewer and water systems, schools, roads, medical facilities, and similar services. Even with the documented beneficial impact of Indian gaming on Indian and non-Indian people, we once again are faced with the threat from a small number of individuals on the Federal and state level, in concert with representatives of the non-Indian gaming industry, to further erode tribal sovereignty by anti-Indian amendments to IGRA.

These individuals have asserted, but never supported with facts, that the Indian gaming industry is largely unregulated, and is crime ridden. I am here to discuss the tribal gaming regulatory mechanisms currently in force under the 1988 Indian Gaming Regulatory Act. I would like to emphasize two points. First, I would like to point out the sovereign right and duty of Indian tribes to protect their membership. Second, I will provide an outline of the levels of enforcement and regulations by which tribal gaming operations must abide. I believe that you will see that not only is the Indian gaming industry well run and well regulated, but that it is more heavily regulated and more closely watched than either the state or charitable gaming industries combined.

I. TRIBAL SOVEREIGNTY AND THE PROTECTION OF TRIBAL MEMBERS

The significance of the powers held by federally recognized tribes was set out in the 1831 Supreme Court case, Cherokee Nation v. Georgia. In that case, Chief Justice Marshall described the status of Native American tribes as "...domestic dependent nations...". This status gives rise to the existence of a government-to-government relationship between the tribal governments of American Indians and the federal government of the United States. This relationship has been recognized at the conception of the United States, and continues to be recognized today. Tribes are recognized as sovereign entities, with powers of self-government over their members and over activities taking place within their territory. Included within these powers is the right to initiate economic development programs, like gaming operations, to protect their membership from poverty and economic devastation.

In California v. Cabazon (1987), the Supreme Court upheld the right of tribes as sovereign nations to conduct gaming on Indian lands free of state control as long as similar gaming was permitted by the state outside the reservation for any purpose. This sovereignty was further recognized - while at the same time infringed upon - by the Indian Gaming Regulatory Act passed by

Congress in 1988. The Act affirms that tribes has the power to conduct gaming on Indian lands but it gives states the ability to regulate the gaming through the signing of tribal/state compacts.

Within the scope of IGRA, tribes have the opportunity and right to generate revenue for tribal government operations and programs for gaming operations, just as state governments have the right to conduct state lotteries to generate revenue for their operations and programs. Proposed amendments to IGRA from anti-Indian gaming forces would further reduce tribal powers of self-government and proposed amendments would lessen and cheapen the government-to-government relationship between tribes and the Federal government.

II. Regulatory Powers Governing the Indian Gaming Industry

The Indian gaming industry is subject to regulation and enforcement at four levels of government. The first and most important, is the regulatory powers of the tribes themselves.

Tribal Government Regulation:

The tribes, as domestic sovereigns, adopt and enforce their own laws, ordinances, policies and codes for gaming operations on their lands. Under those regulatory schemes, tribes have established their own gaming boards or commissions to enforce gaming laws; developed and directed tribal police departments; and employed their own surveillance and security systems for their casinos and other gaming facilities. Training for key tribal gaming employees is contracted or provided through college courses. State-of-the-art security cameras, surveillance, controls, annual outside audits, and accounting systems are utilized by the tribes.

Many of the regulatory requirements adopted by the tribes as a part of their own code are mandated by IGRA itself. And because gaming tribes rely heavily upon gaming revenues, they have an added incentive to keep operations running smoothly and crime free. The Sycuan tribe of California, for instance, has ordinances imposing such thorough application process, that the application for employment is 16 pages long. [See Attached] As noted, the tribal regulatory system includes extensive surveillance and security measures. For instance, in fiscal year 1993, the Oneida Tribe of Wisconsin spent \$6,166,451 on its surveillance and security system, with another \$2,000,000 for security equipment. In addition, under the IGRA, all key employees are subject to extensive background checks, including fingerprinting, prior employment and criminal record checks. Please note, most tribes have chosen to fingerprint 100% of their personnel.

Tribal/State Compacts:

The second level of law enforcement and regulation of Indian Class III gaming is imposed through the Compact between a Tribe and a State. Because of IGRA requirements, Class III Indian gaming may only be conducted under a compact negotiated between the tribe and the state. Through these contracts, states are able to impose a considerable portion of their own regulatory requirements on Indian gaming. These provisions may include the allocation of criminal and civil jurisdiction over such operations between the tribe and the state; imposition of state licensing and permitting requirements; state regulatory and inspection; state employment requirements; and cost-sharing to defray regulatory costs. Such state regulatory oversight is often an addition to stringent tribal regulation imposed by tribal gaming authorities. In Arizona, for example, which has thirteen compacts approved by the Secretary of the Interior, the compacts allow the state extensive law enforcement regulatory powers over tribes. In Arizona, the state must, among other things, certify all non-tribal applicants for employment, all providers of gaming services, all management contractors and/or financiers, and all individuals or entities which have any connection to a gaming facility. The standards for state certification are extremely rigorous, including thirteen separate criteria specifically designed to root out organized crime affiliations or connections. As long as the states bargain in good faith, they are able, through the compacting process, to impose significant parts of their own laws upon Indian gaming. You can see, Mr. Chairman, why the tribes have always asserted that IGRA was an erosion of tribal sovereignty.

National Indian Gaming Commission:

The third level of regulation over Indian gaming is through the National Indian Gaming Commission. The Commission, in carrying out its regulatory responsibilities under IGRA, oversees Class II gaming and, to some extent, Class III gaming and implements its duties through regional regulators and management contractor monitoring. The regulatory requirements of IGRA which the Commission must implement, particularly over Class II gaming, are extensive. They include annual outside audits on all gaming activities including contracts for supplies, services, and concessions; requirements for provisions to protect the environment and public health and safety; extensive requirements for background investigations of key officials and employees involved in gaming operations and the oversight of such officials and employees on a continuing basis; and licensing requirements.

The tribes are also regulated as to how the net revenues from gaming operations may be spent. Net revenues may not be spent for any other purpose than to fund tribal governmental operations or programs; to provide for the general welfare of the tribe and its members; to promote tribal economic development; to donate to charitable organizations; or to fund local government agencies.

Even where tribes are eligible for self-regulation under a Class II operation, they are still subject to strict scrutiny by the Commission. Before being granted that status, they must demonstrate that they are conducting their activities in a manner which has resulted in an effective and honest accounting of all revenues; a reputation for safe, fair, and honest operations; and evidence that their operation has been generally free of criminal or dishonest activity. They must also show that they have adopted and are implementing adequate systems for the investigation, licensing, and monitoring of all employees of the operation, as well as the investigation, enforcement and prosecution of violations of its gaming ordinances and regulations. They also must show that they have conducted the operations on a fiscally and economically sound basis. Even under self-regulation, the tribal audit, employment checks, and other regulations remain subject to Commission oversight.

Federal Entities:

The fourth level of regulation of Indian gaming comes from several other Federal agencies. The FBI continues to have its duty and authority to investigate crimes on Indian reservations in those states which do not have criminal jurisdiction over Indian reservation under P.L. 83-280. These include the responsibility to investigate general crimes in non-280 states and, in all states, criminal violations of gaming laws under IGRA. The Bureau of Indian Affairs also has the capability and authority to investigate crimes on Indian reservations and maintains a force of police officers on many Indian reservations and in regional offices. In addition, the BIA has specific regulatory responsibilities under IGRA, such as approval of Tribal-State Compacts. The Internal Revenue Service also plays a role in applying Federal income and other tax laws to tribal gaming operations. Finally, the Justice Department, acting in most cases through the several offices of the U. S. Attorney, has the responsibility for the enforcement and prosecution of crimes on Indian reservations, including general and specific crimes arising out of Indian gaming.

Mr. Chairman, it is the position of the National Indian Gaming Association, that the Indian gaming industry is well, if not overly, regulated through these four levels of government. Allegations coming forth from individuals asserting that Indian casinos are "fronts" for organized crime are simply a smoke-screen to cover their real aim - which is to eliminate Indian gaming as competition to commercial non-Indian gaming. Such opposition is clearly economic racism and Congress must not allow itself to be used to implement the racist agenda of a few greedy commercial gaming tycoons. We urge you to protect our remaining tribal sovereignty in this area, and our economic well-being, by strongly opposing the anti-Indian gaming amendment to IGRA emanating from those sources.

This completes my testimony, Mr. Chairman, and I am available for any questions the Subcommittee members may have.



Sycuan Band of Mission Indians

AUTHORIZATION TO RELEASE INFORMATION

NAME: _____
 Last First Middle

OTHER NAMES: _____
 (Aka's, prior marriages, maiden names)

DATE OF BIRTH: _____ SOCIAL SECURITY # _____

POSITION APPLYING FOR: _____

To Whom It May Concern:

I respectfully request and authorize you to permit the Sycuan Band of Mission Indians, Sycuan Tribal Police and their agents to review my credit record, juvenile or adult probation record, medical record, military, academic, financial records and employment record; including but not limited to personnel files, background files, internal investigation files and training files. They are also authorized to copy any material contained therein.

I hereby release you, your organization, or others from any liability or damage which may result from furnishing the requested information.

A photocopy or facsimile of this release form will be valid as an original thereof, even though said copy does not contain an original writing of my signature. The original of this form is maintained at the Sycuan Human Resources Department and will be made available upon request.

The information is to be used to assist the Sycuan Band of Mission Indians in determining my fitness and qualifications for a position of trust and responsibility.

This release will expire one year after the date signed.

Signature: _____

Date: _____

F.B.I. INFORMATION AND
CONSENT FOR DRUG TESTING

1. NAME: _____ OTHER NAMES USED: _____
2. PRESENT STREET ADDRESS: _____
CITY: _____ STATE: _____ ZIP CODE: _____
3. DATE OF BIRTH: _____ SEX: _____
4. PLACE OF BIRTH (CITY, STATE): _____
5. RACE: _____ TRIBAL AFFILIATION/NUMBER: _____
6. PREVIOUS ADDRESS: _____
7. DRIVER'S LICENSE: _____ SOCIAL SECURITY: _____
8. HAVE YOU EVER BEEN ARRESTED OR CONVICTED OR ANY OFFENSE OTHER THAN A MINOR TRAFFIC VIOLATION? YES _____ NO _____

IF YOU HAVE ANSWERED YES TO QUESTION #8, FILL IN THE FOLLOWING INFORMATION FOR EACH OFFENSE. (USE OTHER SIDE OF THIS PAGE IF NECESSARY).

<u>DATE</u>	<u>OFFENSE</u>	<u>LOCATION</u>	<u>DISPOSITION</u>
_____	_____	_____	_____
_____	_____	_____	_____

(A) I, _____ HEREBY AUTHORIZE THE SYCUAN BAND OF MISSION INDIANS HUMAN RESOURCES DIRECTOR OR DESIGNEE TO SEEK INFORMATION ABOUT ME FROM THE FEDERAL BUREAU OF INVESTIGATIONS OR OTHER SUCH CLEARANCE AGENCIES, AND I GIVE THEM THE RIGHT TO ACCESS ANY AND ALL OF MY FILES AND/OR RECORDS MAINTAINED BY THESE AGENCIES.

(B) I, _____ HEREBY AUTHORIZE AND GIVE MY CONSENT TO BE GIVEN A DRUG TEST AT ANY TIME THE TRIBE DEEMS IT TO BE NECESSARY. I AGREE TO BE TESTED BY THE DOCTOR APPOINTED BY THE TRIBE AND I FURTHER AUTHORIZE THE DRUG TEST RESULTS TO BE DISSEMINATED TO THE TRIBAL COUNCIL AND/OR IT'S DESIGNATES FOR ADMINISTRATIVE USE AS THEY DEEM NECESSARY.

(C) I, _____ FURTHER UNDERSTAND THAT SHOULD THESE CLEARANCE CHECKS REVEAL ANY NEGATIVE INFORMATION AND/OR IF I DO NOT CONSENT TO THE DRUG TESTING, I SHALL BE SUBJECT TO IMMEDIATE DISMISSAL AS AN EMPLOYEE OF THE TRIBE AND IT'S ENTERPRISES.

SIGNATURE: _____ DATE: _____

PRIVACY ACT

In compliance with the Privacy Act of 1974, the following information is provided:

Solicitation of the information on this form is authorized by 25 U.S.C. 2701 et seq. The purpose of the requested information is to determine the eligibility of individuals to be employed in a gaming operation. The information will be used by National Indian Gaming Commission members and staff who have need for the information in the performance of their official duties. The information may be disclosed to appropriate federal, Tribal, State, local, or foreign law enforcement and regulatory agencies when relevant to civil, criminal or regulatory investigations or prosecutions or when pursuant to a requirement by a tribe of National Indian Gaming Commission in connection with hiring or firing of an employee, the issuance or revocation of a gaming license, or investigations of activities while associated with a tribe or a gaming operation. Failure to consent to the disclosures indicated in this notice will result in a tribe's being unable to hire you in a primary management official or key employee position.

The disclosure of you Social Security Number(SSN) is voluntary, However, failure to supply a SSN may result in errors in processing your application.

Applicant name (first middle last) Please Print	
Applicant Signature	Date
Witness name (first middle last) Please Print	
Witness Signature	Date

Personal History Statement

Personal

The following information is requested of you for verification and contact purposes:

1 Your Name (Please print or type)			Last			First			Middle				
Other names (including nicknames) you have used or been known by:													
2 Please list your current residence address													
Number				Street				City		State		Zip Code	
3 Please list your residence telephone number(s) at which you can be contacted.								() _____		() _____			
								Hrs. you can be contacted:		Hrs. you can be contacted:			
4 Birthdate			5 Place of Birth			6 Citizenship			7 Sex				
Month		Day	Year							Male <input type="checkbox"/> Female <input type="checkbox"/>			
8 Social Security Number				(In Accordance with the Federal Privacy Act of 1974, disclosure is voluntary. The SSN will be used for identification purposes to ensure that proper records are obtained.)									
9 For the purposes of identification, please provide the following													
Height			Weight			Hair Color			Eye Color				
Scars, tattoos, or other distinguishing marks													
All languages (spoken or written)													

Relatives and References

During the course of the background investigation, persons who know you will be asked to comment upon your suitability for the position for which you have applied. Inquiries will be confirmed to job-relevant matters.

10 Please supply the appropriate information in the spaces provided below. If a category is not applicable, write in "N/A."

If living, name of your	Address where person can be contacted (Include City, State and Zip Code)	Telephone at which person can be contacted
Father	() Home () Work () Other	() Home () Work () Other
Mother	() Home () Work () Other	() Home () Work () Other
Father-in-Law	() Home () Work () Other	() Home () Work () Other
Mother-in-Law	() Home () Work () Other	() Home () Work () Other
Spouse	() Home () Work () Other	() Home () Work () Other
Former Spouse(s)	() Home () Work () Other	() Home () Work () Other
	() Home () Work () Other	() Home () Work () Other

Personal History Statement

Relatives and References Continued

11. Please supply the appropriate information in the spaces provided below. If a category is not applicable, write in "N/A."

[illegible]

Personal History Statement

Experience and Employment

18 Beginning with your most current employment or business position held, please list all jobs (including part-time, temporary, and voluntary positions) you have held in the past 10 years. (For the purposes of this personal history statement, volunteer work should be included as employment.) For identification and verification, please indicate the nature of the activity, i.e., full-time, part-time, or voluntary. If you have had intervening periods of military service or unemployment, please list those periods in sequence in the spaces provided. Also include all ownership interests in those businesses.

Dates of employment From Mo / Yr To Mo / Yr <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)			
From Mo / Yr To Mo / Yr		Telephone No		Names(s) of co-worker(s)	
Dates of employment From Mo / Yr To Mo / Yr <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)			
From Mo / Yr To Mo / Yr		Telephone No		Names(s) of co-worker(s)	
Dates of employment From Mo / Yr To Mo / Yr <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)			
From Mo / Yr To Mo / Yr		Telephone No		Names(s) of co-worker(s)	
Dates of employment From Mo / Yr To Mo / Yr <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)			
From Mo / Yr To Mo / Yr		Telephone No		Names(s) of co-worker(s)	

Personal History Statement

Experience and Employment

Continued

19. Would any problem result if your present employer was contacted during the course of the background investigation?

If "no" when should such contact be made? _____

20. If you have had no prior employment, please explain in the space below.

21. Have you had any extended work absences for reasons other than earned vacations? ☐ Yes ☐ No

If "yes," Please explain (include when, name of employer, why).

22. Have you ever been fired or asked to resign from any place of employment? ☐ Yes ☐ No

If "yes," please give details (include when, where, circumstances).

23. Have you ever been a successful or unsuccessful candidate for another position in Indian gaming or the gaming industry in general? ☐ Yes ☐ No

If "yes," please give details (include when, name of tribe or business, circumstances).

Personal History Statement

Experience and Employment

24. Beginning with the most current, list any existing and previous business relationships with Indian tribes, including ownership interest in those businesses.

Dates of employment From Mo. Yr. To Mo. Yr. / / <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No.		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)		From Mo. Yr. To Mo. Yr.	
Dates of employment From Mo. Yr. To Mo. Yr. / / <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No.		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)		From Mo. Yr. To Mo. Yr.	
Dates of employment From Mo. Yr. To Mo. Yr. / / <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No.		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)		From Mo. Yr. To Mo. Yr.	
Dates of employment From Mo. Yr. To Mo. Yr. / / <input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary		Name and address of employer Telephone No.		Name of supervisor Names(s) of co-worker(s)	
Reason for leaving <input type="checkbox"/> Military Service <input type="checkbox"/> Not Employed		Title or duties (for identification purposes)		From Mo. Yr. To Mo. Yr.	

Personal History Statement

Experience and Employment

25. Beginning with the most recent, list any and all previous business relationships with the gaming industry generally, including interests in those businesses.

Dates of employment		Name and address of employer		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
				Mo. / Yr.	Mo. / Yr.

Dates of employment		Name and address of employer		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
				Mo. / Yr.	Mo. / Yr.

Dates of employment		Name and address of employer		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
				Mo. / Yr.	Mo. / Yr.

Dates of employment		Name and address of employer		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
				Mo. / Yr.	Mo. / Yr.

Personal History Statement

Experience and Employment

26. List the name and address of any licensing or regulatory agency with which you have filed an application for a license or permit related to gaming, whether or not such license or permit was granted. Also include the date the application was filed.

Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. / Yr.	To Mo. / Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	Mo. / Yr.
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. / Yr.	To Mo. / Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	Mo. / Yr.
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. / Yr.	To Mo. / Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	Mo. / Yr.
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. / Yr.	To Mo. / Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time <input type="checkbox"/> Part-time <input type="checkbox"/> Voluntary				Title or duties (for identification purposes)	
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	Mo. / Yr.

Personal History Statement

Experience and Employment

27. List the names and addresses of any licensing or regulatory agency with which the person has filed an application for an occupational license or permit, whether or not such license or permit was granted and the date such request was filed.

Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time	<input type="checkbox"/> Part-time				
<input type="checkbox"/> Voluntary		Title or duties (for identification purposes)			
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
Mo. Yr.		Mo. Yr.			
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time	<input type="checkbox"/> Part-time				
<input type="checkbox"/> Voluntary		Title or duties (for identification purposes)			
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
Mo. Yr.		Mo. Yr.			
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time	<input type="checkbox"/> Part-time				
<input type="checkbox"/> Voluntary		Title or duties (for identification purposes)			
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
Mo. Yr.		Mo. Yr.			
Dates of employment		Name and address of employer / agency		Name of supervisor	
From Mo. Yr.	To Mo. Yr.	Telephone No.		Names(s) of co-worker(s)	
<input type="checkbox"/> Full-time	<input type="checkbox"/> Part-time				
<input type="checkbox"/> Voluntary		Title or duties (for identification purposes)			
Reason for leaving					
<input type="checkbox"/> Military Service		<input type="checkbox"/> Not Employed		From	To
Mo. Yr.		Mo. Yr.			

Personal History Statement

Military Service

33. If you are a male under age 26, please provide the following:				
Selective Service Number	Approximate Date of Registration	Address at Time of Registration		
34. Have you ever served in the armed forces, National Guard or military reserves? If "yes," please supply the following information:				
Branch of Service	Service Number	Date of Service _____ to _____	Type of Discharge	
35. Are you currently participating in any military reserve or National Guard program? <input type="checkbox"/> Yes <input type="checkbox"/> No				
36. Have you ever been the subject of any judicial or non-judicial disciplinary action while in the military, National Guard or military reserves? If "yes," please give details (include branch of service, when, where, circumstances). 				
37. Past commanding officers or military acquaintances are potential sources of relevant information pertaining to your background. Please list those individuals who know you well enough to provide accurate information about you.				
Name	Contact Address	Contact Telephone	Years Known	
			From	To

Legal

38. If you have ever been arrested or convicted for any crime (excluding traffic violations), please give the following information: (The fact that your record may have been affected by a sealing, an expungement, a release, or a pardon had specific legal implications as to how you should answer this question. Please see the INSTRUCTION page for a detailed guide.) List all on going prosecutions, felony or misdemeanor or convictions thereof. The charges, name and address of the court involved, the arresting agency, and the date of arrest and date of disposition if any:		
Approx. Date	Police Agency	Circumstances

Personal History Statement



Continued

39. Have you ever been placed on court probation as an adult?
If "yes," please give details (include when, where, why)

40. List each criminal charge, (excluding minor traffic charges), whether or not there is a conviction, if such criminal charge is within 10 years of the date of this application and is not otherwise listed above, the criminal charge, the name and address of the arresting agency, the court involved and the date and disposition:

Violation(s)	Convicted	Approx. Date	Police Agency	Court
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> Yes <input type="checkbox"/> No			

41. Are you now or have you ever been involved as a plaintiff or defendant in any civil action?
If "yes," please give details (include when, where, name and location of court, circumstances).

Motor Vehicle Operation

An investigation of your driving history will be made through a records check. To expedite this procedure, please supply the following information:

42. Driver's license number		State	Expiration date
Name under which license was granted			
43. Please list other states where you have been licensed to operate a motor vehicle.			
State	State	State	State
Name under which license was granted	Name under which license was granted	Name under which license was granted	Name under which license was granted

Personal History Statement

Motor Vehicle Operation

Continued

- 44 Have you ever been refused a driver's license by any state?
If "yes," please explain (include when, where, why)

- 45 California law requires that operator and owners of motor vehicles be covered by automobile liability insurance or bond or deposit of \$35,000 with the Department of Motor Vehicles. Therefore, please list the current liability insurance you have with your motor vehicles.

Company	Address	Policy Number	Date of Expiration

If you are bonded or have deposited \$35,000 to meet your motor vehicle financial responsibility, please indicate.

☐ Bond ☐ \$35,000

- 46 Please list all traffic citations (exclude parking citations) you have received within the last 5 years.

Nature of violation	Location (city)	Approximate Date	Indicate whether fined or action taken on driver's license

- 47 Have you ever been involved as a driver in a motor vehicle accident within the last 5 years?

If "yes," please give details for each accident.

Time	Location	
Police investigation?	Police Agency	
Date	Location	
Police investigation?	Police Agency	
Date	Location	
Police investigation?	Police Agency	
Date	Location	
Police investigation?	Police Agency	
Date	Location	
Police investigation?	Police Agency	

Personal History Statement

Motor Vehicle Operation Continued

48. If there is anything you wish to discuss about your driving record, please use the space below.

49. Has your license ever been suspended, revoked, or placed on negligent operator's probation?

☐ Yes

☐ No

If "yes," please give details (include what, when, where, why).

General Information

50. Have you ever been refused insurance for any reason other than failure to pay a premium?

☐ Yes

☐ No

If "yes," please explain (include company name and address, date, and reason).

51. Have you ever applied for a permit to carry a concealed weapon?

☐ Yes

☐ No

If "yes," please provide the following information:

Permit granted?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	Date	Name of law enforcement agency
-----------------	------------------------------	-----------------------------	------	--------------------------------

Purpose

I hereby certify that all statements made in this personal history statement are true and complete, and I understand that any misstatements of material facts will subject me to disqualification or dismissal.

Signature in full

Date completed

National Indian Gaming Association

904 Pennsylvania Avenue, S.E., Washington, D.C. 20003
 Phone: (202) 546-7711 FAX: (202) 546-1755

August 11, 1993

Dear Members of the Native American Affairs Subcommittee:

By letter dated August 3, 1993, Rep. Robert G. Torricelli of New Jersey wrote to you urging your co-sponsorship of his bill, H.R. 2287, entitled "The Gaming Regulatory and State Law Enforcement Act of 1993". Regrettably, Mr. Torricelli's letter is shot through with inaccuracies, distortions and outright misrepresentations with respect to the operation and regulation of Gaming on Indian reservations, and the Congressional and Administrative oversight that has been devoted to these gaming operations.

The initial distortion begins with the capitalized title in which he asserts that gaming operations on Indian reservations are "dangerous" and "unregulated". No evidence is offered to support either of these allegations.

In his statement to accompany the introduction of H.R. 2287, Mr. Torricelli stated:

"When IGRA [The Indian Gaming Regulatory Act] was first passed there was little indication that organized crime was infiltrating gaming on reservations. However, over the last five years this has become a significant problem." (Cong. Rec. pp E 1367-68 -- May 26, 1993).

On July 27, 1993, in a letter to the Chairman of the United South and Eastern Tribes Gaming Association, ms. Mary C. Spearing, Chief of the General Litigation and Legal Advice Section, Criminal Decision, Department of Justice, wrote as follows:

"As alluded to in USET Gaming Association Resolution UGA 93-04 ... representatives of the Department's Criminal Division and the FBI testified before a Senate Committee that very little evidence of attempts by the organized crime "families" to infiltrate Indian gaming had been detected. We have no reason to modify that evaluation at this time."

A copy of Ms. Spearing's letter is attached.

U.S. House of Representatives
 Native American Affairs Subcommittee
 August 11, 1993
 Page Two

Mr. Torricelli asserts that Indian gaming is "unregulated." Nothing could be further from the truth. It is in fact regulated first by the Tribes themselves; second by oversight from the National Indian Gaming Commission established under the Act; third by the Department of Interior and the Department of Justice; and finally, with regard to those tribes operating games that are subject to compact with states, the states themselves. The integrity of the games operated by the Indian tribes is attested to by the small number of criminal complaints that have arisen from Indian gaming operations. These statistics will certainly compare favorably with the criminal complaints arising from gaming operations in any other part of the country.

Mr. Torricelli refers to a report of the Inspector General of the Department of the Interior issued in December of 1992. This report was critical of the oversight that had been exercised by Federal agencies over Indian gaming operations in years past and concluded that certain leasing agreements of gaming equipment had resulted in significant losses of income to the tribes. At no place in this report was the integrity of the gaming operations questioned. Since this report was issued, the National Indian Gaming Regulatory Commission has promulgated its initial regulations and the Commission is now moving into full operation.

At the heart of Mr. Torricelli's bill is a concern expressed both in his introductory remarks and in his recent "Dear Colleague" letter, i.e., that Interior Department regulations allow "the establishment of 'gaming enclaves' far away from existing tribal reservations" and that "[T]hese rules have encouraged several groups with dubious claims to apply for federal recognition for the sole purpose of operating casinos free from state regulations."

In fact, only twice in the five years since the Indian Gaming Regulatory Act was enacted has the Department of the Interior accepted lands into trust that were not inside of or adjacent to an existing Indian reservation, and in each of these cases the Governor of the State where such lands were located approved of this action. Existing law and regulations governing this subject are clearly already restrictive.

Mr. Torricelli expresses concern for non-federally recognized tribes or groups petitioning the Secretary of the Interior for recognition as a "federally recognized tribe". First, he assumes without examination that the claims of such groups are "dubious" and are made for the "sole purpose" of operating casinos free of state regulation. In fact, the Interior Department regulations governing petitions for Federal recognition were promulgated in 1978 in order to address long standing efforts of non-federally recognized tribes and groups to achieve Federal recognition, some of which date to the turn of the century. It is worthy of note that one such petitioning tribe exists within the State of New Jersey.

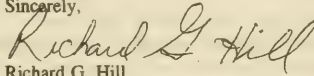
The bottom line of the Torricelli bill is that it would destroy gaming on Indian reservations and all of the jobs and economic benefits that flow not only to the Indian tribes and

U.S. House of Representatives
Native American Affairs SubCommittee
August 11, 1993
Page Three

their members but also to the surrounding non-Indian communities. The "competitive advantage" that exists for tribal games exists only because of the more restrictive laws of the states that surround the reservation. If the restrictive laws of the states are made applicable to the tribes, the tribes will be unable to attract business to their lands.

The principal purpose of the Torricelli bill is to protect an industry in Atlantic City and Nevada and to deny tribes an opportunity to compete. The bill does not seek to establish a "level playing field". It seek to limit the players on the field to one team only.

Sincerely,

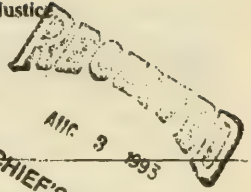
A handwritten signature in dark ink, appearing to read "Richard G. Hill". The signature is fluid and cursive, with the first name "Richard" being more prominent and the last name "Hill" written in a similar style.

Richard G. Hill
Chairman

Attachment



U.S. Department of Justice



Washington, D.C. 20530

CHIEF'S OFFICE JUL 27 1993

Phillip Martin, Chairman
United South and Eastern Tribes Gaming Association
400 N. Capitol Street, N.W.
Washington, D.C. 20001

Dear Mr. Chairman:

This is in response to your letter to the Attorney General suggesting that the Department conduct an investigation of Indian gaming operations to determine whether or not there is a basis for allegations of organized crime involvement.

The investigative arm of the Department of Justice is the Federal Bureau of Investigation. One of its highest priorities is the detection and investigation of organized criminal attempts to infiltrate or exploit legitimate enterprises. The Bureau's authority stems from a number of federal criminal statutes, especially those contained in Chapter 95 (Racketeering) and Chapter 96 (Racketeer Influenced and Corrupt Organizations) of title 18 of the United States Code. When evidence of criminal violations is developed the matter is referred to the appropriate United States Attorney for prosecution. We are confident that the Bureau is carrying out its responsibilities with diligence and vigilance and that no investigation focussing on Indian gaming operations in general is warranted.

As alluded to in USET Gaming Association Resolution UGA 93-04, which you included in your letter, representatives of the Department's Criminal Division and the FBI testified before a Senate Committee that very little evidence of attempts by the organized crime "families" to infiltrate Indian gaming had been detected. We have no reason to modify that evaluation at this time.

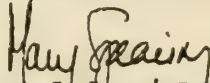
The Department fully appreciates the importance of crime-free gaming to tribal economic development and the congressional policies in that regard. I assure you of our continued interest in achieving and maintaining that goal. We hope we can count on your

2

support for efforts to strengthen the regulatory mechanisms currently provided in the Indian Gaming Regulatory Act.

Sincerely,

John C. Keeney
Acting Assistant Attorney General
Criminal Division

A handwritten signature in dark ink, appearing to read "Mary C. Spearing". The signature is written in a cursive, flowing style.

Mary C. Spearing, Chief
General Litigation and
Legal Advice Section
Criminal Division

Mr. ABERCROMBIE. Thank you.

Mr. Wapato, I wanted to merely indicate that I quite agree. The lotteries are not taxed, individuals who profit from the lottery are taxed on their individual income, and so you would be in agreement with the previous testimony, would you not, that tribal benefits which may accrue in the form of a school are not taxed, but if an individual within the tribe receives an income that individual indeed pays taxes?

Mr. WAPATO. The individual indeed does pay Federal income tax, State income tax. Many of the employees are non-Indian employees, they pay Federal taxes, State taxes.

Mr. ABERCROMBIE. So the implication from previous panels that Indians are not paying taxes as opposed to a nonprofit tribal entity are at least, if not incorrect, misleading?

Mr. WAPATO. They are misleading, they are incorrect and grossly inaccurate. Anybody that works at the casinos, Indian or non-Indian, does pay taxes, both Federal, and if there are State taxes, pays those.

Mr. ABERCROMBIE. Very well. I have no questions at this point.

Mr. ABERCROMBIE. Mr. Calvert.

Mr. CALVERT. Thank you.

I just wanted to point out from California's perspective, I know I keep coming back to California and there is reason for it. Of the 200 or so federally recognized tribes in the United States, approximately half are in one State, and that is California. So, obviously, we have great concern, not so much for economic competition, but because of problems that could possibly exist when you have large numbers and possibly large numbers of reservations starting to operate casinos, as they presently legitimately do with Class I and Class II gaming, which is allowed in the State of California.

As you know, Class III gaming is not allowed in the State of California presently, and we are quite concerned that some reservations have taken advantage and are operating certain Class III functions without proper permission.

Now, there is only one federally recognized tribe in the entire State of Connecticut, I believe, is that correct?

Mr. WAPATO. At the present time, yes.

Mr. CALVERT. And so it obviously makes enforcement of that particular casino much simpler. In California's instance, if we had Class III gaming, wouldn't you agree that the complexity in California, you have some experience in California, understand California, would be tremendously more complex?

Mr. WAPATO. Well, the complexity can be made simple, though. In this matter, the compact that we negotiated between the State and the tribe, and so whatever layers of regulation and enforcement that need to come into play can come into play between the State and each individual tribe.

At the present time, there are only 16 tribes in negotiation for Class III in the State of California. And I think it might be a little bit inaccurate to say that there is no Class III in California. The court decision, the Burrell decision has indicated that elements of the California lottery are, in fact, Class III type of gaming, and therefore the tribes can negotiate for those.

And having said that, they can negotiate for them doesn't necessarily mean that all 94 tribes will end up with Class IIIs. As you are well aware, the geography of California, many of those 94 tribes are in very remote areas and would have very small likelihood of developing large-scale or meaningful Class III type of operations, and so I think the very fact that that decision—I think there is some confusion also if there is a video machine or the video device of any type, that somehow that is a slot machine.

There are, in fact, electronic pull-tab machines that are Class II machines—and you asked a question of the national Indian Gaming Commission earlier. It is our opinion that—and the tribe's opinion that those machines are clearly Class II. And if they are clearly Class II, they are clearly under the purview and regulation of the National Indian Gaming Commission and could be subject to any of those regulations. So it is not unregulated.

I think one of the other questions that came up was who documents, and who accounts, and how do you follow through the money that might be going into those machines? And that is clearly a tribal regulatory matter. The tribes have passed regulations under the National Indian Gaming Commission regulations of January 22nd.

There are certain audits, certain things that they must have in place, and they are in place. And those, in our opinion, are also clearly under the National Indian Gaming Commission's purview and regulation.

But as several people have said before, the tribes need to assure the integrity of their own game. They have to have a game that has integrity or their patrons won't come. And if their patrons won't come, then it doesn't make much sense for them to—I mean, it is only in their best interests to make sure that regulations are—

Mr. CALVERT. Obviously, there is a difference of opinion with various Federal agencies on what is Class II and Class III, certainly in the State of California. The problem exists as far as what some people believe was the intent of the Indian Gaming Regulation Act was only to allow gambling which was consistent with what was legal within a particular State.

Then we get into definitions of what is Class III and what is Class II. So there is some confusion. And wouldn't you agree that we need to clarify where everyone understands clearly what is Class II gaming and what goes into Class III gaming?

Mr. WAPATO. If all 50 States had similar regulations regarding gaming, then maybe you could do that on a national basis. It would be impossible to do that on a national basis because each State has different regulatory schemes on gaming and has different games that are legal in that State.

What the State of California has been unable to understand at its negotiating level is that they have quite a broad public policy on which games are in their State. And in the lottery itself, there are probably between 30 and 40 variations of the games that are within the State lottery.

The court, the Federal court did not lightly look at that public policy of the State of California. They tested it back against the findings in the Cabazon case and then they tested it back against the requirements of IGRA, and then they came up with their deci-

sion. And within their decision, they indicated that certain of those games in the lottery are Class III.

The State of California, negotiating at the highest negotiating level, I should say, the governor's level has been, I guess, unable to see that public policy distinction. I don't think that the characterization that the IGRA permitted certain types of gaming is totally accurate. I think IGRA restricted what the tribes could do before the act.

It didn't permit tribes to engage in gaming. It restricted their ability to engage in gaming. And it gave the State an inroad on to the tribal sovereign turf by requiring the compact to be negotiated between a tribe and a State for the Class III.

Mr. CALVERT. Now, going beyond slot machines, as you probably are aware, there are casino ships docking in California, large tourist industry in the State of California. And there were reservations saying, well, California allows those ships to dock, so by definition, they are allowing craps and roulette and all those other kinds of games that take place in Las Vegas to take place, so we should allow that to take place conceivably on all 94 reservations. That, obviously, made the State of California very concerned that once we step into slot machines or whatever we are going to define those as, that we are going to go into full-scale gambling. And in the State of California, obviously, when we have half of the Indian reservations in the State, even though you mentioned there is only 16 negotiating, that is 16 times more than Connecticut, at the present time, it becomes a very, very tough issue.

One of the consequences of that, I think, and I would think that the various tribes thought of this, is if Class III gaming comes to California on the reservations, don't you believe that it is conceivable that the State, at that point, will just throw in the towel and legalize gambling in California?

Mr. WAPATO. I am a little hesitant to predict what the State of California might do in any case, but—

Mr. CALVERT. I will share that opinion.

Mr. WAPATO. That could be a possibility. And I understand they may be under some pressure to do that.

Mr. CALVERT. What I am getting at is the advantage that Class I and Class II gaming in California now with the reservations that they have, they are getting considerable revenue from those reservations. I don't detract the fact that it is going into good works with those reservations in California.

What I am thinking is sometimes too much of a good thing is going to kind of kill the goose that is laying the golden eggs here. If that happens in California, what happens to the competitive advantage that the reservations presently have and having an effective monopoly on Class II gaming in California?

Mr. WAPATO. I guess they would be in the same predicament that 483 casinos are in the State of Nevada, they would have to compete with each other.

Mr. CALVERT. And at the same time, we would possibly be putting something on our society in California that a majority of people in California don't want.

Mr. WAPATO. Well, I think it is clear that the majority of the people in California don't want non-Indian casino gaming. I think it

is equally clear from a public opinion poll conducted by the Field Public Polling, that anywhere from 64 to 76 percent of the citizens of California support Indian gaming and Indian casinos on a reservation. They support it for two reasons, which I think are the right reasons:

Number one, they support it because it would be beneficial to the Indian tribe as an economic development venture. Number two, they support it because they see it as an entertainment option, and they would use it for that reason. Those same people in that same poll would oppose non-Indian gaming.

Mr. CALVERT. That is what I was going to bring up. One last comment. As a consequence of Class III gaming coming to California on Indian reservations, if those same individuals were asked, as a consequence, the possibility exists that gaming will come to California statewide, non-Indian gaming statewide, in L.A., in San Francisco, in San Diego, all the urban areas, do you believe that those same individuals would be in favor of it?

Mr. WAPATO. I think if those individuals are the citizens of California that, yes, they would. I think if those individuals are the administration, they would say no. They would say no, I think, for the same reason, partly the same reason that we heard from Donald Trump and Congressman Torricelli, and it would be for economic reasons, that it was the tribe's—

Mr. CALVERT. In our case in California, we are not—I don't care what Las Vegas does or what New Jersey does, I care about the State of California, and what I am concerned about is gambling. Unfortunately, we can get into the societal ills of gambling, and once we bring that into an urban setting, the problems that could exist from gambling on poor people who use up their paychecks to gamble, and so forth, and so on, I don't want to preach that—what I am stating, that I believe a different view, that most people in California would not want to see statewide gambling, Class III gaming in the State.

I do agree with that the people in the State agree that Indian gaming should be allowed, Class I and Class II gaming, and if, in fact, Class III gaming came to the reservations, I think the unintended consequence of that would be is that gaming would go statewide, and I believe that most people in the State would be opposed to it. Now, that is my opinion.

Mr. ABERCROMBIE. I am going to exercise a prerogative of the Chair because I think this has been stated adequately by both sides, and we have others who have been patiently waiting.

Mr. Elroy, I apologize, I think you were out of the room at the time I called your name, so I will ask you to take up your testimony at this point, if you would be so kind.

STATEMENT OF RICHARD JAMES ELROY

Mr. ELROY. Okay.

Thank you, Mr. Chairman.

Mr. ABERCROMBIE. Aloha and welcome.

Mr. ELROY. I am a retired special agent of the FBI, recently retired. For 16 years I investigated matters involving Native Americans in Oklahoma. Oklahoma has the largest concentration of Native Americans in the United States.

In 1989, I was assigned to the United States Senate, Committee on Investigations, Select Committee on Indian Affairs. During this assignment, I reviewed gambling activities on approximately 100 reservations in 24 States.

In the course of my U.S. Senate assignment, I have found a pattern of activity relating to Indian gaming operations. Almost without exception, Indian tribal officials contract with non-Indian outside companies to build and operate their gambling operations.

In the majority of these cases, these non-Indian companies promise much but deliver little to the tribe. The corrupt tribal leaders end up doing well, and the contractor ends up doing well, but the rank-and-file Indians weren't ending up with very much.

Most of the contracts dealt with a division of the profits or net profits to the tribe. The problem is that, in many cases, the skimming and other activities left no net.

Connecting Indian management directly to traditional organized crime, such as La Cosa Nostra, the LCN, is very difficult. The LCN members are very sophisticated and effective in being able to disguise their direct involvement and influence in these areas.

They use a myriad of methods which camouflage them from the public view. They hide their interests through layers of fronted businesses. In most cases, what we see are front men. These seemingly legitimate management companies, working at the behest of the LCN figures, are usually disguised within a host of professional sounding corporations.

These front men will in turn employ others who may not even be aware of the LCN involvement, but who willingly participate in the scheme or fraud which is contrary to the tribal interests.

These management companies utilize a number of schemes aimed at skimming profits. These schemes and devices include management fees, shills, rigged games, and a host of other scams. In the end, the management firms end up with a profit and the Indians end up holding the bag.

My observations were shared by Tony Daniels, Assistant Director of the Criminal Investigative Division of the Federal Bureau of Investigation in his testimony before the U.S. Senate in 1989.

One example is an LCN group in Florida. This group became involved in the control of bingo operations on the Seminole Indian Reservation in the 1980s. The LCN used front men, utilizing a group of management companies.

This Miami-based LCN found willing participants in their schemes among corrupt tribal leaders. This LCN group also acquired direct interest in the manufacturing and sales of Indian gaming supplies.

In 1989, I interviewed a connected member of the LCN who operated gaming facilities on Indian reservations for the mob. He advised that certain Indian gaming operations were financed and controlled by Anthony Aceturo.

Mr. Aceturo, I don't think I need to describe who he is. He stated that in order for the mob to hold their control over Indians, and this is the California case, that three tribal leaders were killed. Subsequently, they didn't have anymore problems.

In testimony before the U.S. Senate on February 8, 1989, a witness under the Witness Protection Program testified that he

skimmed money for the Luchese family on the Barona Reservation. He testified as an example that a \$5,800 jackpot on the Barona Reservation was won by an employee of the paper supplier to the Indian reservation in a rigged game.

He testified that Indian bingo is open territory for the mob. He stated that the mob is involved in laundering money through Indian reservations. He also stated that he had personal knowledge of 12 Indian gaming operations directly controlled by the mob.

ABC's Morton Dean recently filmed Eddie Somuna as he was managing the Viejas tribal gaming hall in California. Somuna was convicted of felony gaming charges in Detroit and is an alleged mob connection.

In the meantime, there doesn't seem to be any Federal control of Indian gaming operations. My sources in Indian reservations indicate nothing has changed. The Indian gaming industry is wide open, with no control, "business as usual," the mob and corrupt official get the gold mine, the tribe gets the shaft.

The theme of my testimony is we hear about these layers of Federal people that are looking at Indian gaming. That simply just isn't true. You talk about the United States Attorney's office. They are prosecutors. They act on information given to them by the Federal Bureau of Investigation.

The Federal Bureau of Investigation acts on information it receives alleging violations within their jurisdiction. But the FBI and U.S. Attorney's office do not act as regulators or oversight on these Indian gaming operations.

Now, we have an Indian Gaming Commission that is supposed to do that. That is their job. I don't see how you could possibly do that job with less than 30 people. That would require a vast expanse of their staff, a few hundred investigators and some accountants to determine what exactly is going on, where is the money coming from, where is it going to. You have to know this.

If you have a management company operating an Indian gaming operation and they are billing out \$5 million for purchases of slot machines, unless you go out to the reservation, count those slot machines, compare the serial numbers with the numbers on the invoices and determine they actually spent that money, and the machines are in place, you have no idea where the money went.

[Prepared statement of Mr. Elroy follows:]

TESTIMONY OF RICHARD JAMES ELROY
RETIRED SPECIAL AGENT -- FBI
BEFORE THE HOUSE SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
OCTOBER 5, 1993

My name is Richard James Elroy. I am a retired special agent with the FBI. For 16 years, I investigated matters involving Native Americans in Oklahoma. Oklahoma has the largest concentration of Native Americans in the United States. In 1989, I was assigned to the United States Senate, Committee on Investigations, Select Committee on Indian Affairs. During this assignment, I reviewed gambling activities on approximately 100 reservations in 24 states.

In the course of my U.S. Senate assignment, I have found a pattern of activity relating to Indian Gaming operations. Almost without exception, Indian Tribal Officials contract with Non-Indian outside companies to build and operate their gambling operations. In the majority of cases these Non-Indian companies promise much but deliver little to the tribe. The corrupt tribal leader will do well, but the rank and file Indians get nothing. The contracts look good. They promise 50% of the net profits. There are no net profits. The profit is "skimmed" off.

Connecting Indian management directly to traditional organized crime, such as La Cosa Nostra (LCN) is very difficult. The LCN members are very sophisticated and effective in being able to disguise their direct involvement and influence in these areas. They use a myriad of methods which camouflage them from public view. They hide their interests through layers of fronted businesses. In most cases what we see are front men. These seemingly legitimate management companies, working at the behest of the LCN figures, are usually disguised within a host of professional sounding corporations.

These frontmen will in turn employ others who may not even be aware of the LCN involvement, but who willingly participate in the scheme or fraud which is contrary to the tribal interests.

These management companies utilize a number of schemes aimed at skimming profits. These schemes and devices include management fees, shell players, rigged contests, and a host of other scams. In the end the management firms end up with the profit and the Indians end up holding the bag. My observations were shared by Tony Daniels, Assistant Director, Criminal Investigative Division of the FBI in his testimony before the U.S. Senate in 1989.

One example is an LCN group in Florida. This group became involved in the control of bingo operations on the Seminole Indian Reservation in the 1980s. The LCN used front men utilizing a group of management companies. This Miami-based LCN found willing participants in their schemes among corrupt tribal leaders. This LCN group also acquired direct interest in the manufacturing and sales of Indian gaming supplies.

In 1989, I interviewed a connected member of the LCN who operated gaming facilities on Indian reservations for the mob. He advised that certain Indian gaming operations were financed and controlled by Anthony Acceturo, a made member of the LCN. He stated that in order for the mob to hold their control over the Indians, three dissenting tribal leaders were killed. Subsequently, the mob had no problems getting the tribal leadership to fall in line.

In testimony before the US Senate on February 8, 1989, a witness, under the Witness Protection Program, testified that he skimmed money for the Luchese family on the Barona reservations. He testified as an example that a \$5800 jackpot on the Barona reservation was "won" by an employee of the paper supplier to the reservation in a rigged game. He testified that Indian Bingo is open territory for the mob. He stated the mob is involved in laundering money through Indian Reservations. He stated he had personal knowledge of twelve Indian Gaming operations directly controlled by the mob.

ABC's Morton Dean recently filmed Eddie Somuna as he was managing the Viejas tribal gambling hall in California. Somuna was convicted of felony gambling crimes in Detroit and is an alleged mob associate.

In the meantime, there is no federal control of Indian Gaming operations. My sources on Indian reservations state that nothing has changed. The Indian Gaming Industry is wide open, with no control. Business as usual, the mob and corrupt tribal leaders get the gold mine and the tribal members get the shaft.

####

Mr. ABERCROMBIE. Thank you very much.

Mr. Elroy, you mentioned in your testimony that you worked for the Select Committee on Indian affairs. Inasmuch as the law was passed in 1988, and in effect, came into being in—for effective operation in 1989, did you—you mentioned here about what happened during the 1980s. Does most of your investigatory activity concern gaming activities prior to the passage of the act or the implementation, is inadequate, as you characterize it?

Mr. ELROY. I would say that is accurate. In 1989, we were looking at this, and the Indian Gaming Commission actually was created by law at that time, but they were not operational. But my point is that assuming that the Indian Gaming Commission desires to do the job, which I would have no reason to believe they wouldn't, I have some idea of what it takes to have oversight of those type of operations.

Mr. ABERCROMBIE. Did you say you are retired?

Mr. ELROY. Yes, sir.

Mr. ABERCROMBIE. Well then, you might be available at this stage, at least, to consult or something of that nature?

Mr. ELROY. I have done some—

Mr. ABERCROMBIE. I don't mean that lightly, in other words, I get the thrust of your testimony.

Mr. ELROY. You can't do it with 30 people, sir.

Mr. ABERCROMBIE. I understand that. Did you have an opportunity to investigate, at that time, what the potential compact arrangements might be, or have you had an opportunity to look at the compact arrangements since then?

Mr. ELROY. I have looked at some of them. However, the problem with the compact arrangements, as has been pointed out, is that there is very little uniformity. I think it is even for the State to get involved. There is a myriad of constitutional questions that deal with the State enforcing the law on these Indian reservations.

Mr. ABERCROMBIE. What about the point that was raised during the testimony of Mr. Palmer, the IRS, and the Department of Justice, that the State of Nevada has at least what purports to be a parallel system of auditing and investigation upon which the Federal Government relies, and more particularly, the IRS, and that they are now about to undergo at least some joint operations.

I presume they will take selected, random audits and go over them jointly. What would you think about that kind of a proposal, that a similar kind of arrangement be put into effect with the various—within the various compacts, within the various States that, at a minimum, the tribes—and it had also been suggested in other testimony—that the tribes would be willing to put together the tribal version of the Nevada arrangement and work with the Federal Government?

Mr. ELROY. I think that certainly the State could cooperate with the Federal Government, if there was an enabling legislation to allow them to do that, and in conjunction with sufficient Federal oversight that you might accomplish your task.

Mr. ABERCROMBIE. Would you agree that it is in the interests of the tribes to have a crime-free atmosphere, within their interests, certainly, to be able to address from a public perception point of

view, that they are attacking this issue vigorously and without any reservation?

Mr. ELROY. It has been my experience in dealing on the Indian reservations with the Indian people that they are absolutely opposed to corruption and organized crime on the reservation. I don't remember anybody telling me they wanted that there. And they are—and we are talking about the rank-and-file Indian people, where they would be very supportive of any type of oversight that would keep that type of corruption out and would return the monies to the benefit of the Indian people.

This does not mean that there aren't some officials within the tribe that don't want to see any of this oversight.

Mr. ABERCROMBIE. That would be the case in almost any enterprise; right?

Mr. ELROY. Probably so.

Mr. ABERCROMBIE. What I am looking for here, for the purposes of our legislative activity, is solutions to these kinds of difficulties, and so I would think—my conclusion from your testimony is that the route for us to pursue legislatively is to see that adequate enforcement personnel are made available and that the compacts are such that whatever State or whatever other agency is involved in the enforcement side is that they be coordinated in such a way as to see to it that the tribes are not disadvantaged?

Mr. ELROY. Yes, sir.

Mr. ABERCROMBIE. Very good. Thank you very much.

STATEMENT OF MICHAEL BROWN

Mr. ABERCROMBIE. Mr. Brown, you are president and CEO of a casino in Connecticut, right?

Connecticut has been brought up so many times today, I am sorry that you are at the end of the testimony, but perhaps that is all to the good because you had an opportunity to hear a full range of discussion about Connecticut.

I believe you are accompanied by Lieutenant Colonel Root of the State police.

Mr. BROWN. That is correct.

Mr. ABERCROMBIE. Then we will have Mr. Johnson and Mr. Powell from Minnesota.

But why don't we go to Connecticut then, Mr. Brown and Mr. Root, perhaps you might want to combine your testimony.

Mr. BROWN. I will give some comments, then Lieutenant Colonel Root will answer questions, if there are any.

Mr. ABERCROMBIE. Very good. Thank you very much for your patience.

Mr. BROWN. Thank you for waiting to listen to us.

Mr. Chairman, I serve as the President and Chief Executive Officer of Foxwoods Casino, which is located in southeast Connecticut. It is owned and operated by the Mashantucket Pequot Tribe, and I emphasize "operated" because there is no management company. We are all employees of the tribe.

I previously served as a prosecutor for the New Jersey Attorney General's office for nine years, and before that, served for two years as a Director of the Division of Gaming Enforcement in New Jersey. And with the tribe, entered into the compact negotiation proc-

ess with the State of Connecticut in May of 1990, they hired me as an attorney to assist them in developing a strict regulatory cooperative effort between the Mashantucket Pequot Tribe and the State of Connecticut.

I will dispense with any prepared remarks and just try to summarize for you why we believe that although Foxwoods is the largest casino in the United States and it is probably the most financially successful casino in the United States, it is also the most highly regulated casino in the United States.

To my right is a chart which lists some of the regulations that are put in place under the compact that we agreed to with the State of Connecticut. We are regulated basically by four agencies: The first agency is the Mashantucket Pequot Tribal Gaming Commission, which supervises the on-site regulation and compliance with the internal controls in the casino.

Behind me is George Henningsen, who is the Chairman of the Mashantucket Pequot Tribal Gaming Commission, and for five years before that, he served as the Deputy Director of Gaming Enforcement in the State of New Jersey. We imported a lot of help.

The Division of Special Revenue is the agency, the State agency, which licenses all people who work in the gaming industry in the State of Connecticut, and by compact they must license every person before they can work in Foxwoods Casino. I am licensed by the State of Connecticut.

Once we file a license application with the State of Connecticut, it is turned over to the Connecticut State Police that do a background investigation on the applicant. They report back to Special Revenue, and the State of Connecticut Special Revenue determines whether or not to issue a gaming license. They have absolute authority over licensing gaming employees.

The Connecticut State Police by compact have the authority to enforce all of the criminal statutes of the State of Connecticut in and around the casino. They also assign Connecticut State Police inside the facility 24 hours a day, something that does not exist in any other casino in the United States.

Mr. ABERCROMBIE. Mr. Brown.

Mr. BROWN. Yes.

Mr. ABERCROMBIE. I have something I have to take care of at a quarter to three, which is right now. If you would—and the rest of the panel, would excuse me for just a few minutes, that can be handled, and I will be right back.

I am sorry there are no other Members to be able to shift to, so if we could call a recess for five minutes.

Mr. BROWN. Thank you.

[Recess.]

Mr. ABERCROMBIE. Mr. Brown, please accept my apologies. We have been able to work things out. We did not anticipate the length of today's hearing, so a whole lot of adjustments had to be made, and I am sure, including you folks on the panel. I am very grateful for your patience.

Please continue.

Mr. BROWN. I will be brief.

After the employees are licensed by the Division of Special Revenue, they are allowed to go to work. We also had State liquor con-

trol agents on site during all hours of dispensing of alcohol in the facility. We pay the entire cost of the State regulatory efforts in our facility, which fiscal year 1994 is going to equal \$3.8 million.

With regard to the contributions that we make to the community, we employ, as of last Friday, we handed out paychecks for 7,150 people. Eighty percent of those people live in the State of Connecticut. Those are jobs that did not exist before.

We have an annualized payroll and benefit package cost of \$202 million a year. In January of this year, the State of Connecticut needed some additional money for their treasury, and the tribe wished to implement slot machines, which did not previously exist. By a two-page written agreement between the Governor of the State of Connecticut and the Chairman of the Mashantucket Pequot Tribe, we agreed to guarantee a contribution of \$100 million a year to the State of Connecticut out of our slot revenues, or 25 percent of our revenue, whichever is greater. There is no casino in the United States that gives \$100 million a year off the top to the State in which that casino is located.

We have—the tribe has utilized most of the revenue from the casino to finish an expansion and pay for the original building and a second casino hotel entertainment complex which is going to open up between now and November 1st. It has also a state-of-the-art child development center. It is using funds to build a Native American museum. It has a full health service for tribal members, housing for tribal members, fire department, emergency medical services, which serves not only the reservation but the surrounding communities. It has a college tuition fund for any tribal men that wishes to advance themselves further in education.

We think that the Indian Gaming Regulatory Act has been a success for the Mashantucket Pequot Tribe and the community surrounding that reservation and for the State of Connecticut.

Thank you.

Mr. ABERCROMBIE. Thank you very much.

[Prepared statement of Mr. Brown follows:]

TESTIMONY
OF
G. Michael Brown, Esquire
President & Chief Executive Officer
Foxwoods Casino, Mashantucket Pequot Nation
on
INDIAN GAMING LAW ENFORCEMENT
before the
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
of the
HOUSE COMMITTEE ON NATURAL RESOURCES
on
October 5, 1993

TESTIMONY
of
G. Michael Brown, Esquire
President and Chief Executive Officer
Foxwoods Casino, Mashantucket Pequot Nation
on
INDIAN GAMING LAW ENFORCEMENT
before the
SUBCOMMITTEE ON NATIVE AMERICAN AFFAIRS
of the
HOUSE COMMITTEE ON NATURAL RESOURCES
on
October 5, 1993

GOOD MORNING MR. CHAIRMAN. I AM MICKEY BROWN, PRESIDENT AND CHIEF EXECUTIVE OFFICER FOR FOXWOODS CASINO, WHICH IS OWNED AND OPERATED BY THE MASHANTUCKET PEQUOT TRIBE IN LEDYARD, CONNECTICUT. THE PEQUOTS ARE A SMALL BUT AMBITIOUS TRIBE WITH APPROXIMATELY 280 MEMBERS, LOCATED IN SOUTHEASTERN CONNECTICUT. PREVIOUSLY, I SERVED AS A PROSECUTOR FOR NINE YEARS IN THE NEW JERSEY ATTORNEY GENERAL'S OFFICE, AND FOR TWO YEARS AS DIRECTOR OF THE DIVISION OF GAMING ENFORCEMENT IN NEW JERSEY, WHERE WE DEVELOPED WHAT WE BELIEVE IS A MODEL FOR REGULATING CASINO GAMBLING. I HAVE ALSO ASSISTED A NUMBER OF OTHER JURISDICTIONS IN SETTING UP REGULATORY SYSTEMS, MOSTLY IN AUSTRALIA. THE TRIBE ASKED ME TO SERVE AS FIRST CHAIRMAN OF THEIR TRIBAL REGULATORY AGENCY, WHICH I DID UNTIL JANUARY OF 1993, WHEN I BECAME FOXWOODS' PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE TRIBE ALSO HIRED GEORGE HENNINGSEN, WHO FOR THE PREVIOUS FIVE YEARS HAD SERVED AS DEPUTY DIRECTOR OF THE DIVISION OF GAMING ENFORCEMENT IN NEW JERSEY. GEORGE SERVES AS THE FULL-TIME EXECUTIVE DIRECTOR OF OUR TRIBAL GAMING COMMISSION. ACCOMPANYING ME IS MR. GEORGE HENNINGSEN, EXECUTIVE DIRECTOR OF THE MASHANTUCKET PEQUOT TRIBAL GAMING COMMISSION AND LT. COLONEL ROBERT ROOT OF THE CONNECTICUT STATE POLICE. AT THE END OF THIS TESTIMONY, WE WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE. FOLLOWING IS MY TESTIMONY WHICH I SUBMIT ON BEHALF OF THE MASHANTUCKET PEQUOT TRIBE AND FOXWOODS CASINO.

INDIAN GAMING REGULATORY ACT - IN SEPTEMBER, 1988, THE UNITED

STATES CONGRESS CONSIDERED AND PASSED THE INDIAN GAMING REGULATORY ACT ("ACT"). THE ACT DEFINES THE RIGHTS OF INDIAN TRIBAL GOVERNMENTS TO CONDUCT GAMING ACTIVITIES ON THEIR FEDERALLY RECOGNIZED RESERVATIONS. THE ACT WAS THE RESULT OF SEVERAL YEARS OF DISCUSSION AND NEGOTIATIONS BETWEEN INDIAN TRIBES, STATES, THE GAMING INDUSTRY, THE ADMINISTRATION, AND THE CONGRESS IN AN ATTEMPT TO FORMULATE A SYSTEM FOR REGULATING GAMING ON INDIAN LANDS. THE ACT SETS UP A SYSTEM OF JOINT REGULATION BY TRIBES AND THE FEDERAL GOVERNMENT FOR CERTAIN GAMING ON INDIAN LANDS AND A SYSTEM FOR COMPACTS BETWEEN TRIBES AND STATES FOR REGULATION OF CASINO GAMING.

NUMEROUS INDIAN TRIBES THROUGHOUT THE UNITED STATES HAVE ENTERED INTO COMPACTS TO CONDUCT CLASS III TYPE GAMING ACTIVITIES. TO DATE, 78 TRIBAL STATE COMPACTS HAVE BEEN APPROVED BY THE SECRETARY OF THE INTERIOR TO ALLOW TRIBES SOME FORM OF CLASS III GAMING. ELEVEN SUCH COMPACTS HAVE BEEN APPROVED IN THE STATE OF MINNESOTA, FOUR IN CALIFORNIA, PLUS WASHINGTON, NEVADA, NEBRASKA, SOUTH DAKOTA AND CONNECTICUT. ADDITIONALLY, SEVEN (7) COMPACTS HAVE BEEN SIGNED BY THE GOVERNOR OF MICHIGAN AND ARE NOW PENDING LEGISLATIVE APPROVAL.

AS YOU KNOW FROM PREVIOUS HEARINGS, MINNESOTA ALONE HAS A DOZEN TRIBES ENGAGED IN GAMING IN MOSTLY MID-SIZE CASINOS OFFERING ONLY BLACKJACK AND VIDEO MACHINES. RELATIONS BETWEEN THE VARIOUS TRIBES AND THE STATE OF MINNESOTA HAVE BEEN VERY COOPERATIVE RESULTING IN ENORMOUS FINANCIAL SUCCESS (ESTIMATED THAT GAMING REVENUES ON RESERVATIONS IN MINNESOTA HAVE REACHED IN EXCESS OF \$300 MILLION ANNUALLY), THE ELIMINATION OF UNEMPLOYMENT AND THE DEVELOPMENT OF COMMUNITY CENTERS, HEALTH CARE CENTERS AND SCHOOLS. MANY, MANY OTHER TRIBES THROUGHOUT THE UNITED STATES LIMIT THEIR GAMING ACTIVITIES TO BINGO AND BINGO RELATED GAMES UNDER CLASS II AND THEREFORE DO NOT HAVE A NEED TO NEGOTIATE A TRIBAL STATE COMPACT.

MASHANTUCKET PEQUOT NATION'S EXPERIENCE - LET ME OFFER SOME BACKGROUND ON HOW THE MASHANTUCKET PEQUOT TRIBE ENTERED INDIAN GAMING. THE TRIBE OCCUPIES A RESERVATION OF APPROXIMATELY 1200 ACRES IN THE ROLLING HILLS OF SOUTHEASTERN CONNECTICUT, ABOUT 45 MILES EAST OF HARTFORD AND 25 MILES SOUTH OF PROVIDENCE, RHODE ISLAND. THE TRIBE OPENED A HIGH STAKES BINGO HALL IN 1986 IN AN EFFORT TO SUPPLEMENT ITS STATE AND FEDERAL FUNDING AND INCOME FROM A SMALL SAND & GRAVEL OPERATION. THE TRIBE INITIALLY EMPLOYED ANOTHER INDIAN TRIBE TO

ASSIST IN MANAGING THE HALL, AND AFTER TWO YEARS, PEQUOT TRIBAL MEMBERS ASSUMED FULL RESPONSIBILITY FOR MANAGEMENT. THE OPERATION WAS A FINANCIAL SUCCESS AND WON WIDESPREAD RESPECT IN CONNECTICUT FOR ITS STYLE AND PROFESSIONALISM. THE TRIBE STARTED THE BINGO HALL WITH ASSISTANCE FROM A LOAN GUARANTEE BY THE BUREAU OF INDIAN AFFAIRS. THAT LOAN WAS REPAYED IN FULL IN 1991, AHEAD OF TIME, AND THE GUARANTEE RETURNED TO THE BUREAU. (THE BINGO OPERATION NOW GROSSES \$20 MILLION PER YEAR AND NETS ABOUT \$4 MILLION ANNUALLY.)

SHORTLY AFTER THE INDIAN GAMING REGULATORY ACT PASSED, THE TRIBE ASKED CONNECTICUT TO ENTER NEGOTIATIONS FOR A TRIBAL-STATE COMPACT. AS CONNECTICUT PERMITS GAMES OF CHANCE, ALBEIT IN A HIGHLY REGULATED FORM, SUCH GAMING IS NOT IN CONFLICT WITH THE STATE'S PUBLIC POLICY. CONNECTICUT PERMITS MANY FORMS OF GAMBLING, SUCH AS A STATE-OPERATED LOTTERY, BINGO, JAI ALAI AND VARIOUS FORMS OF PARI-MUTUEL BETTING ON HORSES AND DOG RACES. LARGE AMOUNTS MAY BE BET AND SUBSTANTIAL WINNINGS ARE PERMITTED. CONNECTICUT REGULATES, RATHER THAN PROHIBITS, GAMBLING IN GENERAL AND GAMES OF CHANCE IN PARTICULAR. CONNECTICUT PERMITS ANY NONPROFIT ORGANIZATION, ASSOCIATION OR CORPORATION TO PROMOTE AND OPERATE GAMES OF CHANCE, OR LAS VEGAS NIGHTS, TO RAISE FUNDS FOR THE PURPOSES OF SUCH ORGANIZATIONS, SUBJECT TO CERTAIN LIMITATIONS AND RESTRICTIONS, SUCH AS LIMITS ON THE SIZE OF WAGERS, CHARACTER OF PRIZES, AND FREQUENCY OF OPERATION. CONNECTICUT ANNOUNCED THAT IT WOULD NOT NEGOTIATE AT ALL ABOUT CASINO GAMES, EVEN THOUGH SUCH GAMES WERE PERMITTED AT CHARITABLE LAS VEGAS NIGHTS AND CARNIVALS, AND EVEN THOUGH CONNECTICUT REGULATES MORE THAN \$1 BILLION ANNUALLY IN OTHER LEGAL WAGERING ACTIVITIES. THE TRIBE FILED SUIT IN 1989 TO FORCE THE STATE TO NEGOTIATE. THE U.S. DISTRICT COURT RULED IN MAY OF 1990 THAT CONNECTICUT WAS OBLIGATED TO BARGAIN OVER ALL ISSUES, INCLUDING CASINO GAMES.

FOLLOWING THAT INITIAL COURT DECISION, THE TWO SIDES SAT DOWN IN THE SUMMER OF 1990 TO WORK OUT A COMPACT. THE TRIBE ASKED ME TO ASSIST THEM IN THESE NEGOTIATIONS BECAUSE OF MY OWN EXPERIENCE IN LAW ENFORCEMENT AND GAMING REGULATION.

DURING THE SUMMER OF 1990, WE ENGAGED IN INTENSIVE, EARNEST BARGAINING WITH CONNECTICUT STATE OFFICIALS TO WORK OUT A COMPACT. THE TRIBE WAS WILLING TO ACCEPT, AND IN FACT ENCOURAGED, A SUBSTANTIAL STATE ROLE IN HELPING TO REGULATE GAMING ON THE RESERVATION. IN RETURN, WE ASKED THE STATE TO

ACCEPT THE TRIBE'S GOAL OF A COMPACT WHICH WOULD ALLOW FOR A SINGLE, SUBSTANTIAL ECONOMIC ENTERPRISE BASED ON CASINO GAMING. IN THE END, WE REACHED NEARLY COMPLETE AGREEMENT ON A COMPACT WHICH PERMITTED THE TRIBE TO ESTABLISH A FULL-SCALE CASINO, AND TRIBAL GAMING REGULATORY AGENCY, WHILE THE STATE RETAINED POWER TO LICENSE ALL CASINO EMPLOYEES AND GAMING SUPPLIERS, AND TO POLICE THE CASINO ITSELF.

FOXWOODS' REGULATION/LAW ENFORCEMENT - PURSUANT TO THE COMPACT, THE CONNECTICUT STATE POLICE HAVE JURISDICTION TO ENFORCE ALL CONNECTICUT CRIMINAL LAWS ON THE RESERVATION, INCLUDING ENFORCEMENT WITHIN THE CASINO. THE STATE POLICE HAVE ACCESS TO ALL LOCKED AND SECURED AREAS OF THE GAMING FACILITY AND MAY STATION TROOPERS AT THE GAMING FACILITY TO COORDINATE LAW ENFORCEMENT IN AND AROUND THE CASINO. THE CONNECTICUT STATE POLICE MAY UNDERTAKE SUCH INVESTIGATION OF GAMING EMPLOYEES AND NON-GAMING EMPLOYEES AS IT DEEMS APPROPRIATE AND SHALL ALSO INVESTIGATE THE BACKGROUNDS OF GAMING SERVICE APPLICANTS. THEY ARE STATIONED ON PROPERTY 24 HOURS A DAY. THE COMPACT COMMITTED THE TRIBE TO FUNDING THE STATE COST OF REGULATION, FOLLOWING THE NEW JERSEY SYSTEM. THE STATE AND THE TRIBE AGREED TO SUBMIT NEARLY MATCHING PROPOSALS TO A COURT-APPOINTED MEDIATOR SO THAT THE COMPACT COULD BE IMPLEMENTED BY THE INTERIOR DEPARTMENT, WITHOUT LIMITING THE STATE'S RIGHT TO APPEAL THE ORIGINAL COURT DECISION. THE STATE DID APPEAL, BUT THE DISTRICT COURT WAS UPHELD BY A UNANIMOUS SECOND CIRCUIT DECISION, AND THE U.S. SUPREME COURT DENIED CERTIORARI IN APRIL OF 1991.

UNDER THE COMPACT, THE TRIBE AGREED TO ESTABLISH A REGULATORY COMMISSION TO ENFORCE A DETAILED SYSTEM OF MANAGEMENT CONTROLS AND OVERSIGHT. THE TRIBAL GAMING AGENCY, THE MASHANTUCKET PEQUOT GAMING COMMISSION, WAS CREATED BY TRIBAL ORDINANCE ON FEBRUARY 25, 1991. THE TRIBAL GAMING COMMISSION HAS THE PRIMARY RESPONSIBILITY FOR ON-SITE REGULATION OF THE GAMING OPERATION AND UTILIZES NON-UNIFORM INSPECTORS WHO ARE PRESENT IN THE GAMING FACILITY DURING ALL HOURS OF OPERATION AND WHO ARE ACCOUNTABLE ONLY TO THE TRIBAL GAMING AGENCY. TRIBAL GAMING INSPECTORS ARE LICENSED TO THE SAME STANDARD AS GAMING EMPLOYEES BY THE STATE GAMING AGENCY. THE TRIBAL GAMING AGENCY MUST DISCLOSE TO THE STATE GAMING AGENCY THE PROGRAM OF INSTRUCTIONAL AND ON-THE-JOB TRAINING, SYSTEM OF INTERNAL ORGANIZATION INCLUDING A COMPENDIUM OF ALL POSITIONS FOR DEALERS AND SUPERVISORY POSITIONS IN EACH TABLE GAME. THE

TRIBAL GAMING COMMISSION MUST ENSURE THE PROPER TRAINING AND QUALIFICATIONS FOR EACH PERSON OCCUPYING A DESIGNATED POSITION IN THE GAMING FACILITY. THE COMMISSION HAS APPROVED AND ADOPTED STANDARDS OF OPERATION AND MANAGEMENT. THE INITIAL STANDARDS OF OPERATION AND MANAGEMENT ARE INCLUDED IN THE COMPACT AS APPENDIX A.

THE COMMISSION MAINTAINS SURVEILLANCE, SECURITY, CASHIER CAGE, CREDIT, AND COMPLIMENTARY SERVICES LOGS WHICH SHALL BE MADE AVAILABLE TO THE STATE GAMING AGENCY UPON REQUEST. THE COMMISSION MAINTAINS A LIST OF PERSONS BARRED FROM THE GAMING FACILITY BECAUSE OF THEIR CRIMINAL HISTORY OR ASSOCIATION WITH CAREER OFFENDERS, INCLUDING THE NEVADA AND NEW JERSEY BLACK LISTS. THE COMMISSION APPROVES RULES OF EACH GAME AND NOTIFIES THE STATE GAMING AGENCY OF ANY CHANGES.

GEORGE HENNINGSSEN AND I HAVE BEEN MEETING WITH THE STATE POLICE, THE F.B.I., AND OTHER FEDERAL, STATE AND LOCAL LAW ENFORCEMENT AGENCIES TO COORDINATE A LAW ENFORCEMENT STRATEGY TO MAKE SURE THE CASINO IS AS RIGOROUSLY CONTROLLED AS ANY GAMING ENTERPRISE IN THE WORLD. THE COMMISSION HAS ALSO BEEN CONSULTING WITH THE STATE AGENCIES TO REACH CONSENSUS ON THE RESOURCES NEEDED BY THE STATE TO ADEQUATELY POLICE THE CASINO AND INVESTIGATE THE BACKGROUNDS OF CASINO EMPLOYEES.

ON FEBRUARY 15, 1992 THE MASHANTUCKET PEQUOT NATION OPENED THE LARGEST TRIBAL GAMING ENTERPRISE IN THE UNITED STATES ESTABLISHED UNDER THE ACT AND IT HAS NOT CLOSED SINCE OPENING DAY. THE FOXWOODS CASINO CURRENTLY EMPLOYS 6,720 PEOPLE, 80% OF WHOM ARE CONNECTICUT RESIDENTS. THE FOXWOODS CASINO HAS BEEN CONSTRUCTED AT A COST OF \$210 MILLION WITH AN ADDITIONAL \$37 MILLION FOR FURNITURE, FIXTURES AND EQUIPMENT. BUILT ADJACENT TO THE EXISTING BINGO HALL, THE CASINO COMPLEX HAS TWO RESTAURANTS, A BUFFET, A TRIBAL GIFT SHOP, A 175 ROOM HOTEL AND A GAMING AREA OF 139,000 SQUARE FEET, IN WHICH 233 TABLE GAMES AND 3,137 SLOT MACHINES ARE LOCATED. THE AVERAGE DAILY DROP IS \$4.4 MILLION WITH A WIN AVERAGING \$1.625 MILLION PER DAY FOR ALL GAMING.

WITH BROAD SUPPORT FROM LOCAL BUSINESS AND LABOR LEADERS, THE TRIBE HAS PLAYED A MAJOR ROLE IN REBUILDING THE SAGGING ECONOMY OF SOUTHEASTERN CONNECTICUT, WHICH HAS BEEN SUBSTANTIALLY DEPENDENT ON DEFENSE SPENDING IN RECENT YEARS. THIS GROWTH AND REBUILDING PROCESS WILL CONTINUE AS THE TRIBE

OPENS ITS NEW 312 ROOM HOTEL, TWO NEW RESTAURANTS, 15 RETAIL SHOPS, HEALTH CLUB, POOL, SPA, BEAUTY SALON, TURBO RIDE, 360 THEATER AND 1,500 SEAT SHOWROOM THIS NOVEMBER.

COVERING COSTS FOR TRIBAL/STATE REGULATION - THE CHAIRMAN OF THE TRIBE, RICHARD HAYWARD, AND CONNECTICUT GOVERNOR LOWELL P. WEICKER HAVE SIGNED A MEMORANDUM OF UNDERSTANDING WHICH COMMITS THE TRIBE TO FUND \$1.3 MILLION IN STATE EXPENDITURES FOR CASINO REGULATION DURING THE FIRST SIX MONTHS OF OPERATION. THE COST OF CONNECTICUT STATE POLICE ON-SITE SERVICES FOR THEIR FISCAL YEAR 1993 PAID BY THE TRIBE WAS \$1,826,000. THIS IS IN ADDITION TO THE REGULATORY COST OF \$535,879.00 PAID TO CONNECTICUT SPECIAL REVENUE DIVISION FOR FY 93 AND \$344,000.00 PAID TO THE CONNECTICUT LIQUOR CONTROL DIVISION FOR COSTS OF AGENTS WORKING ON-SITE DURING ALL HOURS THAT LIQUOR IS SERVED.

ANTICIPATED REGULATORY COSTS TO BE PAID BY THE TRIBE TO THE STATE IN FISCAL YEAR 1994 ARE AS FOLLOWS:

CONNECTICUT STATE POLICE - \$2,339,916;
 CONNECTICUT SPECIAL REVENUE DIVISION - \$1,002,691 AND
 CONNECTICUT LIQUOR CONTROL - \$623,529
 TOTAL - \$3,966,136.00

COSTS FOR TRAFFIC CONTROL ARE ALSO BORNE BY THE TRIBE. OFF DUTY CONNECTICUT STATE POLICE SERVE AS TRAFFIC CONTROL OFFICERS FOR FOXWOODS WHICH IS LOCATED ON ROUTE 2 IN LEDYARD, CONNECTICUT. TRAFFIC CONTROL COSTS FOR THE STATE'S FISCAL YEAR 1993 AMOUNTED TO \$950,000. FISCAL YEAR 1994 ESTIMATES FOR THOSE EXPENSES ARE ANTICIPATED AT \$1.5 MILLION.

THE TRIBE WILL NOT EMPLOY ANY MANAGEMENT COMPANY TO OPERATE THE CASINO. FOLLOWING THE MODEL WHICH IT USED SUCCESSFULLY TO MANAGE ITS BINGO HALL, THE TRIBE'S CASINO EXECUTIVES WILL SERVE AS EMPLOYEES OF THE TRIBAL COUNCIL. THE TRIBE ORIGINALLY HIRED ALFRED LUCIANI TO SERVE AS CHIEF EXECUTIVE OF ITS GAMING PROJECT; MR. LUCIANI WAS IN THE NEW JERSEY ATTORNEY GENERAL'S OFFICE FOR TEN YEARS, AND HELPED WRITE THE CASINO CONTROL ACT IN NEW JERSEY. AFTER LEAVING GOVERNMENT, HE ENTERED GAMING MANAGEMENT AND SUCCESSFULLY MANAGED THE GOLDEN NUGGET IN NEW JERSEY AND NEVADA AND RESORTS INTERNATIONAL CASINO IN ATLANTIC CITY. THE TRIBE PICKED MR. LUCIANI BECAUSE OF HIS IMPECCABLE REPUTATION FOR INTEGRITY, AS WELL AS HIS EXPERTISE. HE ASSEMBLED A TALENTED EXECUTIVE TEAM

INCLUDING BOTH TRIBAL MEMBERS AND NON-MEMBERS, AND THE TRIBE HAS TRAINED LOCAL RESIDENTS TO FILL SKILLED POSITIONS IN THE CASINO AND HOTEL PROPERTIES.

FOXWOODS' ECONOMIC IMPACT - THE PEQUOTS' SUCCESS IS A MODEL OF EFFECTIVE IMPLEMENTATION OF THE INDIAN GAMING REGULATORY ACT. WE HAVE A SOUND REGULATORY SYSTEM IN PLACE. INDEED, WE HAVE PERHAPS THE MOST HIGHLY REGULATED CASINO IN THE INDUSTRY, UTILIZING THE CONNECTICUT STATE POLICE, LIQUOR CONTROL AND SPECIAL REVENUE AGENTS. THIS IS A FIRST CLASS GAMING ENTERPRISE. IT HAS PRODUCED THOUSANDS OF JOBS IN THE SURROUNDING COMMUNITY, AND TENS OF MILLIONS IN PAYROLL AND SERVICES. IN THE MEMORANDUM OF UNDERSTANDING BETWEEN THE PEQUOTS AND THE STATE OF CONNECTICUT, SIGNED JANUARY 13, 1993, THE TRIBE AGREED TO PAY THE STATE \$100,000,000 AND RECEIVED EXCLUSIVITY FOR THE RIGHT TO OPERATE SLOT MACHINES AT FOXWOODS. THE STATE IS FREE, AT ANY TIME, TO INTRODUCE SLOT MACHINES ELSEWHERE IN THE STATE BUT IF THAT HAPPENS, THE TRIBE DISCONTINUES THE SLOT REVENUE SHARING. ADDITIONALLY, WHEN THE STATE OF CONNECTICUT WAS SHORT \$13,000,000 TO BALANCE THEIR BUDGET THIS PAST YEAR, THE TRIBE KICKED IN THE NECESSARY AMOUNT IN ORDER TO ASSIST THE STATE GOVERNMENT. UNDOUBTEDLY, THE MASHANTUCKET PEQUOT TRIBE IS THE LARGEST CONTRIBUTOR TO THE STATE OF CONNECTICUT'S COFFERS AT THIS POINT IN TIME. FOXWOODS WILL ENABLE THE TRIBE TO BECOME AN ECONOMIC LEADER IN ITS REGION, AND TO REALIZE ITS OWN GOAL OF CREATING AN IMPORTANT RESORT CENTER, HIGHLIGHTED BY A MAJOR MUSEUM AND RESEARCH CENTER ON AMERICAN INDIAN HISTORY AND CULTURE.

A QUESTION FREQUENTLY ASKED IS IF TRIBES CANNOT PLEDGE ASSETS AS COLLATERAL, HOW CAN THEY OBTAIN CONSTRUCTION FINANCING. ALMOST ALL TRIBES HAVE TO LOOK OFF SHORE AS THE PEQUOTS DID. INDIAN TRIBES HAVE THE RIGHT TO ISSUE TAX FREE MUNICIPAL TYPE BONDS. ALTHOUGH A TRIBE CANNOT MORTGAGE LAND HELD IN FEDERAL TRUST, THEY CAN PLEDGE ASSETS, THE BUILDING FF&E AS SECURITY FOR A LOAN, AND THEY CAN PLEDGE A SUCCESS FEE IN ADDITION TO BASE INTEREST. DURING THE MASHANTUCKET PEQUOT SEARCH FOR FINANCING WHICH INCLUDED PRESENTATION TO MORE THAN 23 BANKING INSTITUTIONS IN THE UNITED STATES, OUR ONLY OTHER POSSIBLE SOURCE FOR FINANCING WAS A FOREIGN LONG TERM CREDIT BANK. OUR RELATIONSHIP HAS BEEN FRUITFUL AND WAS BUILT ON TRUST. THE NEW CASINO EXPANSION WHICH OPENED SEPTEMBER 3, 1993, WAS BUILT PRIMARILY OUT OF CASH FLOW NEGATING THE NEED TO LOOK FOR ALTERNATIVE FINANCING. PROFITS FROM FOXWOODS PAY FULL COLLEGE TUITION FOR MASHANTUCKET PEQUOT TRIBAL MEMBERS, PROVIDE

QUALITY HOUSING, A STATE OF THE ART CHILD DEVELOPMENT CENTER, A TRIBAL POLICE DEPARTMENT, EMERGENCY MEDICAL SERVICES DEPARTMENT, TRIBAL TORT COURT, PARKS AND RECREATION DEPARTMENT, TRIBAL LOAN PROGRAM, SUPPLEMENTS THE TRIBAL HEALTH AND SOCIAL SERVICES DIVISION AND PROVIDES A HOST OF OTHER SERVICES.

FOR TRIBES ACROSS THE UNITED STATES THE ACT IS PROVIDING THE MOST EFFECTIVE BOOST TO TRIBAL ECONOMIC DEVELOPMENT OF ANY STRATEGY ATTEMPTED BY THE FEDERAL GOVERNMENT.

IF YOU WISH TO EXPERIENCE FIRST HAND THE ULTIMATE SUCCESS STORY OF INDIAN GAMING AND THE BENEFITS ENJOYED BY THE TRIBE, THE COMMUNITY AND THE STATE, WE INVITE YOU TO VISIT FOXWOODS.

	<u>NEVADA</u>	<u>FOXWOODS</u>	<u>NEW JERSEY</u>
Mandatory licensure for all Casino employees	NO	YES	YES
Federal regulatory oversight	NO	YES	NO
Mandatory regulatory oversight during all hours of operation	NO	YES	YES
On site police presence during all hours of operation	NO	YES	NO
Liquor Control agents on site during all hours alcoholic beverages are served	NO	YES	NO
Exhaustive State back- ground investigation of <u>all</u> Casino executives	NO	YES	YES
Mandatory yearly audit by outside auditing firm	NO	YES	YES

THE ECONOMIC IMPACTS
OF THE FOXWOODS HIGH STAKES BINGO & CASINO
ON NEW LONDON COUNTY AND SURROUNDING AREAS

by

Arthur W. Wright & Associates:

John M. Clapp
Dennis R. Heffley
Subhash C. Ray
Jon Vilasuso
Arthur W. Wright

September 1993

TABLE OF CONTENTS

(A)	Key Findings and Executive Summary	Page ii
(B)	The Economic Impact of Foxwoods High Stakes Bingo & Casino on New London County and Surrounding Areas	
	INTRODUCTION	Page 1
	I. Employment Effects	Page 4
	II. Public Assistance (AFDC)	Page 9
	III. Housing Prices	Page 11
	IV. Summary and Conclusions	Page 15
(C)	The Impact of a Change in Basic Employment Within One LMA on House Values in the Same and Surrounding LMA's	Appendix 1
(D)	Economic Base Analysis for New London County	Appendix 2
(E)	Determinants of Welfare Dependence	Appendix 3
(F)	Biographies of Principals	Appendix 4

KEY FINDINGS AND EXECUTIVE SUMMARYTHE ECONOMIC IMPACTS OF THE FOXWOODS HIGH STAKES BINGO & CASINO
ON NEW LONDON COUNTY AND SURROUNDING AREAS

by

Arthur W. Wright & Associates:

John M. Clapp
 Dennis R. Heffley
 Subhash C. Ray
 Jon Vilasuso
 Arthur W. Wright

September 1993

KEY FINDINGS

° Every new Foxwoods job supports 1.107 additional non-casino jobs in New London County. At Foxwoods' currently planned total employment, that will eventually mean more than 20,000 total new jobs in the county, with an annual payroll of nearly \$480 million.

° Every new Foxwoods job supports 0.74 new jobs in the rest of Connecticut. That will eventually translate into more than 7,000 new jobs, with an annual payroll of more than \$214 million.

° Every new job trims 0.154-0.260 recipients from AFDC rolls. Thus, employment gains from Foxwoods' activities will save the State \$9.6-\$16 million per year.

° Each decline of 1 point in the unemployment rate in eastern Connecticut is accompanied by a 7.7 percent increase in the real prices of houses. Foxwoods employment alone could raise total residential real estate values by almost \$1.2 billion by the end of 1994. Adding indirect employment, the total increase could come to more than \$6 billion by the end of the decade.

ECONOMIC IMPACTS OF FOXWOODS
KEY FINDINGS & EXECUTIVE SUMMARY

-2-

EXECUTIVE SUMMARY

The rapid success of Foxwoods High Stakes Bingo & Casino has brought growing pains to southeastern Connecticut, but it has also provided new jobs paying an average of \$25,000 per year and another \$9,300 a year in fringes. That success has also afforded direct material benefits to the casino's owner (the Mashantucket Pequots), to the State of Connecticut, and to construction firms and workers. Indirectly, it has helped brighten regional prospects for tourism.

This report deals with three more fundamental indirect impacts of Foxwoods:

- I. additional jobs and incomes in surrounding areas
- II. lower spending on public assistance (AFDC)
- III. higher real values of single-family houses.

I. Employment and Earnings: Applying economic base analysis, we estimate that every new Foxwoods job will eventually support 1.107 additional non-casino jobs in New London County. The average job in the county pays nearly \$23,000 (1993 dollars). The combined effect of the full 9,500 Foxwoods employees expected by early 1994 is 20,017 new jobs in New London County. The total new payroll generated will be \$478.5 million per year.

Further, because county residents spend part of their incomes on "imports" from other Connecticut counties, we estimate that a new Foxwoods job ultimately generates as much as a further 0.74 new job in the rest of the state, where the average job pays about \$30,500 a year. The full 9,500 Foxwoods employees, then, will support up to an added 7,030 jobs in the rest of the state, with added payroll of \$214.4 million. "Leakages" to other states and countries will reduce these figures somewhat, but offsetting gains in those "foreign" areas (especially Rhode Island), in turn meaning added purchases from Connecticut, will make up much of the reduction.

ECONOMIC IMPACTS OF FOXWOODS
KEY FINDINGS & EXECUTIVE SUMMARY

-3-

II. Aid for Dependent Children: Using econometric techniques on U.S. state data, we estimate that each additional job created trims 0.154-0.260 recipients from the rolls of Aid For Dependent Children (AFDC). The figure appears to be higher, the more robust the overall economy; conversely, a slacker economy tends to yield the lower figure. Assuming (to be conservative) an average AFDC payment of \$200 per month per recipient and a total of 26,000 new jobs in Connecticut because of Foxwoods, the estimated savings would range from \$9.61 million to \$16.20 million per year, based on an estimated reduction in AFDC recipients of 4,004-6,760 people.

III. House Prices: Again using econometric techniques, we estimate that (over the long run) every 1 percentage-point reduction in the unemployment rate in the four easternmost Labor Market Areas (LMAs) in Connecticut is associated with a 7.7 percent increase in real housing prices (after inflation) in the four LMAs. Translating Foxwoods' employment impacts into reductions in LMA unemployment rates, we conclude that, just from the casino's hiring alone, real house prices in the 4 LMAs will rise by \$1.177 billion by late 1994. Further, adding indirect employment effects raises the total increase in house prices to \$6.1 billion by the end of the decade.

THE ECONOMIC IMPACTS OF THE FOXWOODS HIGH STAKES BINGO & CASINO
ON NEW LONDON COUNTY AND SURROUNDING AREAS

by

Arthur W. Wright & Associates¹

INTRODUCTION

Foxwoods High Stakes Bingo & Casino, located near Ledyard, Connecticut, has enjoyed round-the-clock operations and financial success from the day its doors opened in early 1992. The venture has expanded steadily -- the latest additions opened this month, with more to follow by year's end -- and plans for further growth are underway. A recent New York Times article (September 1, 1993, p. B1+) characterized Foxwoods as "the region's clear center of gravity."

The casino's rapid success has brought growing pains, as a quiet, rural part of the state struggles to adapt to growing numbers of visitors and a burst of new economic activity. On the plus side, though, in an area hard hit by defense cuts, Foxwoods has already provided more than 6,000 new jobs, and total employment will exceed 9,500 once current plans are complete. The average gross pay of casino employees (including reported tips) is \$25,000 per year -- about \$2,100 more than the average job paid in New London County before February 1992 -- and average fringe benefits add \$9,300 a year to total employee compensation.² The casino's

¹ John M. Clapp, Dennis R. Heffley, Subhash C. Ray, Jon Vilasuso, and Arthur W. Wright. We acknowledge with thanks the assistance of Peter Shapiro & Associates. Responsibility for any errors remains with us.

² Based on full-time equivalent employees, Foxwoods data for April 1, 1993, show yearly "salary & wages," inclusive of "tips and tokens" (dealers' tips) reported to management, of \$25,043 on average, excluding paid leaves. Average fringes (including paid leaves, required social programs, group insurance programs, retirement matching contributions, and employee meals) come to \$9,334. The sum of salary & wages plus fringes is \$34,378. To the extent not all tips are reported, this figure understates total

ECONOMIC IMPACTS OF FOXWOODS CASINO

-2-

owner, the Mashantucket Pequot tribe, has been able to improve the living standards of its members, and to start new, ancillary businesses. The State of Connecticut has used revenue-sharing from slot-machine proceeds to increase its aid to the state's 169 cities and towns. Construction of the various phases of Foxwoods' development has employed workers from across the state and around the region.

The economic impacts of the casino do not end with the direct effects just listed. Like the ripples from a stone thrown into a pool of water, increased hiring and income are radiating from Foxwoods' own activities to other economic sectors and to other areas (local, state and regional). Indirect spillovers from the casino's growth include not only brightened prospects for tourism in the region but also (more fundamentally) additional jobs and incomes, reduced unemployment, lower spending on public assistance, and higher real estate values in surrounding areas.

This report focuses on three specific indirect impacts of Foxwoods: I. employment; II. public assistance (AFDC); and III. prices of single-family housing. While these three topics do not exhaust the indirect impacts of the casino's operations,³ they are likely to be the most significant ones.

I. Employment: Applying recognized tools of economic-impact analysis, we estimate that every new Foxwoods job supports roughly 1.1 additional non-casino jobs in New London County. The average job in the county before the casino opened paid nearly \$23,000 in 1993 dollars. Further, because county residents spend part of

average employee compensation.

³ For instance, we have not explored the indirect effects of construction activity, which by nature takes place over a fixed period of time and then ends. Nor have we expressly studied the spillover effects from casino purchases of goods and services; to a considerable extent, however, our analysis of indirect job creation captures those effects.

their incomes on "imports" from other Connecticut counties, a new Foxwoods job ultimately generates a further three-quarters of a new job in the rest of the state, where the average job paid about \$30,500. Lesser but still noticeable employment spillovers occur in Rhode Island, by similar reasoning.

II. Public Assistance (AFDC): With conventional econometric techniques we estimate that (by increasing employment in a multi-county region) an additional 1,000 jobs trims between 154 and 260 recipients (adults and children) from the rolls of Aid For Dependent Children (AFDC) in that region. The figure appears to be higher, the more robust the overall economy; conversely, a slacker economy tends to yield the lower figure. Assuming a conservatively low average AFDC payment of \$200 per month per recipient, the creation of 1,000 new jobs, directly at Foxwoods or indirectly by casino expansion, would save an estimated \$30,800 to \$52,000 per month, or \$369,600 to \$624,000 per year in AFDC payments.

III. House Prices: Again using econometric analysis, we estimate that (over the long run) every 1 percentage-point reduction in the unemployment rate in the four easternmost Labor Market Areas (LMAs) in Connecticut⁴ is associated with a better than 7.7 percent increase in real housing prices (after inflation) in the four LMAs. Hence, if the employment stimulus (indirect as well as direct) from Foxwoods hiring reduced the regional unemployment rate by 4 points, the price of a representative house worth (say) \$100,000 today would ultimately rise by more than \$30,000. This is a gross effect: We do not take into account other economic forces (such as Navy submarine procurement and force levels) that will also affect house prices. But the stout upward pressure on house prices from casino expansion should be welcome in

⁴ New London-Norwich, Danielson, Willimantic and Lower River.

ECONOMIC IMPACTS OF FOXWOODS CASINO

-4-

an area that has suffered steephouse-price declines -- in New London-Norwich on the order of 36 percent -- since the late 1980s.

I. EMPLOYMENT EFFECTSA. Indirect Job Creation in New London County

Why would we expect to find additional hiring in the local economy as a result of the expansion of employment at Foxwoods? Because the services provided by casino workers consist largely of "exports" outside the county: Most customers come from other parts of Connecticut and other states; their expenditures at Foxwoods represent an inflow of income to New London County. Thus, the casino jobs support additional local jobs directed to satisfying the day-to-day consumption needs of casino employees. In contrast, if Foxwoods customers came mainly from New London County, local purchasing power would simply be recirculating -- and casino growth would create far fewer additional jobs.

To get at the extent of indirect job creation arising from casino employment, we used a well-known technique called economic base analysis.⁵ This technique focuses on measuring how much of local economic activity is "basic" -- that is, involved in exporting goods and services outside the locale -- and therefore capable of supporting additional, "non-basic" (or local) employment. Combining information on the basic/non-basic mix for all local economic sectors,⁶ we can calculate a multiplier that

⁵ For the technical methodology and detailed calculations for our economic base analysis, see the separate document, "Economic Base Analysis for New London County," by Jon Vilasuso.

⁶ Excluding the military. We assume that the military employment at the Groton Submarine Base serves the entire United States and not just the residents of New London County. In other words, the county's consumption of Groton sub base services is no greater per capita than that of San Diego residents.

expresses the extent to which additional basic employment will support additional non-basic employment in the locale.

We estimate that creating one new basic job in New London County will lead to an additional 1.23 non-basic jobs there. Thus, the total new employment equals the new basic job plus 1.23 local jobs, or a total of 2.23 new jobs. If the new basic job was an average job at Foxwoods, it would generate additional income of some \$25,000 in 1993 dollars (as noted earlier).⁷ If the attendant 1.23 non-basic jobs paid the average for New London County,⁸ the extra non-basic earnings would come to \$28,173 (also in 1993 dollars). The total gain in county earnings would then be \$53,173.

The foregoing analysis needs one adjustment. If some Foxwoods customers come from New London County, one new casino job would not equal a full basic job. In fact, company analyses of customers' license plates and special club members' addresses indicate that nearly all of Foxwoods' business comes from outside the county. To be conservative, let us assume that only 90 percent of casino revenues come from outside New London County. The multiplier would then decline from 1.23 to 1.107.⁹ The Foxwoods addition to county earnings would remain the same (\$25,500), but the extra non-basic earnings would decline to \$25,355 in 1993 dollars, giving a somewhat smaller total earnings gain of \$50,355.

How does the foregoing analysis translate into a total impact

⁷ We ignore the average fringes of \$9,300, which equal an added 27.1 percent of the salary-&-wages figure.

⁸ According to data in the 1990 edition of County Business Patterns, adjusted to 1993 dollars by multiplying by the ratio of the 1993 to the 1990 Consumer Price Indexes.

⁹ The magnitude of the decline increases with the portion of revenues coming from within the locale. For the detailed calculation of the decline, see the Appendix to Vilasuso, op.cit.

ECONOMIC IMPACTS OF FOXWOODS CASINO

-6-

of Foxwoods on employment in New London County?¹⁰ Still assuming that 90 percent of casino activity is basic, if the employment multiplier holds over the full range of Foxwoods' hiring from its inception (February 1992) through the completion of current expansion plans, 9,500 casino jobs will ultimately generate an additional 10,517 jobs, or 20,017 in all, in New London County.¹¹ If the new non-basic jobs pay the 1993 average figure, the additional earnings will come to \$241 million (in 1993 dollars). Adding \$237.5 million in direct Foxwoods payroll (9,500 times \$25,000) gives a total county payroll increase of \$478.5 million.

B. Indirect Employment Effects in the Rest of Connecticut

Why would gains in employment in New London County affect employment in the rest of the state? Because the county is linked economically with the other counties in Connecticut. When economic activity picks up in New London County, its residents resort to "imports" for a significant proportion of their increased

¹⁰ That total impact, and the others discussed in this report, will occur gradually over time, not immediately. Economic base analysis provides no insight into the duration or time pattern of the lags in the estimated impacts. With the later regression analysis, we are able in one case to obtain some idea of the length of at least the initial lag following the event of interest -- here, an increase in hiring at Foxwoods.

¹¹ The range of validity of our estimated multiplier depends mainly on how large the casino's total hiring is in relation to total county employment. In 1993, total employment in the New London-Norwich LMA -- roughly coterminous with New London County except for several small towns at the edge of the LMA -- was about 177,000 excluding Foxwoods' employees. Thus, the 9,500 workers at Foxwoods represent a 5.4 percent increase over the base excluding the casino. Note that not all of the indirect job creation from casino expansion will have occurred by the end of 1993. As noted in the preceding footnote, the full adjustment of the indirect jobs will probably extend over a number of years.

ECONOMIC IMPACTS OF FOXWOODS CASINO

-7-

consumption needs.¹² By extending our previous methodology, we can translate those imports into the added indirect employment in the rest of Connecticut that will flow from Foxwoods' expansion, coupled with its indirect impacts in New London County.

For simplicity, and recognizing that we will be overstating the effect, let us assume initially that residents of New London County obtain all of their imports -- the portion of their consumption needs not produced within the county -- from other parts of Connecticut. The first step is to translate the earlier total increase in New London County employment from casino hiring into an increase in basic jobs elsewhere in the state. Basic jobs will increase in the rest of Connecticut because it will be "exporting" goods to New London County. The second step is then to calculate the non-basic/basic multiplier for the rest of the state, just as we did in section A for the one county. We estimate that each new job created at Foxwoods translates into 0.74 additional job in the other counties of Connecticut taken as a whole. At the average 1990 pay per job in the rest of the state of \$30,501 (stated in 1993 dollars), the associated increase in earnings would come to \$22,571. The eventual total of 9,500 casino jobs would yield 7,030 new jobs, and additional income of some \$214.4 million, throughout the rest of Connecticut.

These estimates overstate the employment and earnings impacts of Foxwoods' expansion in the rest of Connecticut for a simple reason: New London County residents in fact do "import" goods and services from other states, and even other countries. To the extent they do so, part of the Foxwoods impacts just examined will leak out of Connecticut, thus reducing the figures just reported. At the same time, we must recognize a countervailing effect that will offset the reduction. When New London County residents buy

¹² Indeed, New London County is also linked with economies outside Connecticut as well. Below, we factor the additional links into the analysis.

goods and services from outside Connecticut, the "foreigners" (in Rhode Island, France, and so on) enjoy some job creation and income growth of their own. The foreigners in turn will buy goods and services from Connecticut -- with job-creating and income-enhancing effects there, too. We have not undertaken the major task of gauging the net result of the two opposing forces. But we can state that, even if the net leakage out of Connecticut were as high as one-half (which we doubt), the success of Foxwoods has had and will continue to have a major positive impact on jobs and earnings in Connecticut outside New London County.

C. Direct and Indirect Employment Effects in Adjoining States

Why would Foxwoods' rapid success affect Rhode Island and Massachusetts? For two reasons: First, not everyone working at the casino is a New London County or even a Connecticut resident. Second, some of the indirect effects of Foxwoods' hiring doubtless spill across the nearby borders with Rhode Island and Massachusetts.¹³ To this point, we have tacitly assumed that all Foxwoods employees reside in Connecticut. In fact, nearly 20 percent of the casino workforce in mid-1993 had addresses in Rhode Island or Massachusetts; most of those addresses were in the former state.¹⁴ We have not attempted to estimate employment multipliers and their associated earnings impacts separately for Rhode Island and Massachusetts. However, given the near-lack of barriers to movements of people and goods across state lines, it is safe to say

¹³ We could include New York as well. However, the distance (100+ miles) between Foxwoods and the western boundary of Connecticut is a barrier to the direct hiring of New Yorkers and probably greatly weakens the indirect spillovers as well.

¹⁴ An analysis of employee address zip codes for mid-1993 (4,476 total employees) shows 64.4 percent in the New London-Norwich LMA, and another 15.6 percent in other parts of Connecticut, giving a state total of 80.0 percent. Further, 17.8 percent of the addresses are in Rhode Island, just under 1 percent in Massachusetts, and 0.2 percent in New York.

that the results reported above for Connecticut apply qualitatively to Rhode Island and (to a much lesser extent) Massachusetts. At the same time, it is true that the force of our estimated impacts on Connecticut is less than stated earlier, to the extent that other states benefit from the increased economic activity at Foxwoods.

II. PUBLIC ASSISTANCE (AFDC)

Why would the rapid growth of Foxwoods affect public assistance programs? Because (as we have seen) casino employment creates additional jobs in both nearby towns and throughout the surrounding region. Economic theory suggests that new employment opportunities will attract some people currently on welfare and thus lower the numbers of people on public assistance. Hence, we would expect the addition of 9,500 jobs at Foxwoods to reduce the number of welfare recipients and the attendant fiscal burden on government.

To test this proposition, we applied least-squares regression techniques to data on the numbers of recipients of Aid For Dependent Children (AFDC) and on total employment, adding (for control purposes) other explanatory factors such as population and the size of the average welfare payment per client.¹⁵ Clients include both adults and children; thus one household would typically have at least two recipients. We used statewide data for all 50 states;¹⁶ however, the results are robust, and we have not

¹⁵ For the technical methodology and detailed calculations of our regression analysis of the relation between welfare and employment, see the separate document, "Determinants of Welfare Dependence: A Study of Caseloads," by Subhash C. Ray.

¹⁶ A regression on time series data for the whole United States, 1960-1987, yielded a similar estimate of the relationship between employment and welfare rolls. We attempted to obtain data by town for Connecticut from the State Department of Income

ECONOMIC IMPACTS OF FOXWOODS CASINO
-10-

found any reason to think that Connecticut is fundamentally different from the national average, once one controls for population and payment levels.

Estimates based on state data for 1987, 1988 and 1989 indicate a statistically significant negative relationship between employment and the number of welfare recipients. For 1987, the estimated coefficient suggests that 1,000 new jobs would reduce state AFDC rolls by an average of 260 people. The results for 1988 and 1989, as individual years, show comparable but statistically weaker and smaller relationships; however, combining data for the two years yields a strongly significant, and smaller, relationship: 1,000 new jobs would cut AFDC rolls by 154 recipients. What may explain these results is that 1987 was still a boom year for the national economy, whereas 1988 and 1989 saw the onset of recession. The smaller employment coefficient for 1988-89 suggests that new jobs have less of an impact on welfare recipient numbers when a recession is simultaneously adding new people to the rolls.

Taken at full strength, these robust estimates imply that the start-up and success of Foxwoods have in all likelihood reduced noticeably both welfare rolls and total payments in Connecticut, and probably in Rhode Island, too (see section II.C. above). Assuming the average effect holds for all new employment created because of the casino's existence -- say, 26,000 jobs¹⁷ -- the total eventual associated decline in AFDC recipients ranges from 4,004 to 6,760 -- probably closer to the former than the latter, unless the weak performance of the southern New England economy in the early 1990s improves soon. Assuming an average monthly benefit payment

Maintenance, but to no avail in time for use in the present analysis.

¹⁷ I.e., 9,500 directly at Foxwoods, the further 10,500 or so jobs in New London County, and an added 6,000 (conservatively calculated at about 85 percent of the maximum figure) for associated job growth in the rest of the state.

ECONOMIC IMPACTS OF FOXWOODS CASINO
-11-

per recipient of \$200 (probably low), the monthly savings would range from \$800,800 to \$1.35 million; the yearly savings would run from \$9.61 to \$16.20 million.

We cannot be sure about the distribution of these effects among the towns and cities in the region. Because (as noted above) a large part of the direct hiring at Foxwoods has occurred in the New London-Norwich LMA, much of the reduction in AFDC rolls and payments has likely occurred there. But we have found noticeable indirect hiring effects in the rest of Connecticut and (by inference) Rhode Island. Also, we cannot tell how many casino employees with local addresses have moved there to work. We are confident, though, that the 9,500 new Foxwoods jobs will ultimately lessen substantially the welfare burden in both Connecticut and Rhode Island.

III. HOUSE PRICES

Why would we expect to find a relationship between the success of Foxwoods and house prices in the surrounding area? Because it is a well known economic result that real estate prices generally, and single-family housing prices in particular, move in the same direction as economic activity. During recessions, when unemployment rises and income growth slows, the demand for houses declines; given the supply, prices fall. Conversely, with the lower unemployment and rising incomes of a robust economy, the demand for houses, and (with it) their prices, rise. One of the members of the research team responsible for this report has contributed to the economics literature on this subject.¹⁸ We

¹⁸ John M. Clapp and Carmelo Giaccotto, "The Influence of Economic Variables on Local House Price Dynamics," June 1993, forthcoming in Journal of Urban Economics. The regression analysis in this study used data for Hartford, Connecticut.

ECONOMIC IMPACTS OF FOXWOODS CASINO
-12-

replicated his analysis to examine the impact of casino hiring on house prices in the region that surrounds it.¹⁹

With least squares regression techniques and quarterly data, we estimated the statistical relation between unemployment rates and real house prices (after inflation) in the four easternmost LMAs in Connecticut. The data spanned the period 1981:IV (house sales prices) or 1982:I (unemployment rates) through 1993:I. In keeping with previous studies, our hypothesis was that regional rather than strictly local unemployment rates would affect house prices in a given locale. Moreover, we expected moves in house prices to lag changes in the unemployment rate by some months.

The results bear out the hypotheses: On average, every 1 percentage point decline in the weighted-average regional (4-LMA) unemployment rate is associated, 9 months later, with a 7.7 percent increase in real house prices. The results also show that the impact on house prices is greater, the smaller the initial unemployment rate from which the 1-point decline occurs, and vice versa:

<u>Initial Unemploy-</u> <u>ment Rate</u>	<u>Increase in Real House</u> <u>Prices Per 1-Point Decline</u>
4 %	10.9 %
5 %	8.6 %
6 %	6.3 %
7 %	4.0 %

¹⁹ For the technical methodology and detailed calculations of our regression analysis of the relation between house prices and changes in the unemployment rate, see the separate document, "The Impact of a Change in Basic Employment within One LMA on House Values in the Same and Surrounding LMA's," by John M. Clapp. See footnote 4 above for a listing of the four LMA's. The New London-Norwich LMA includes two Rhode Island towns, Hopkinton and Westerly, which we exclude. Note that we had to switch from New London County (in analyzing employment impacts) to the four LMAs (in gauging effects on house prices) because of the way the relevant data are reported. LMA data for New London-Norwich were too scant in sectoral detail to use them in the employment-impact work; thus we turned to county-level data.

ECONOMIC IMPACTS OF FOXWOODS CASINO
-13-

In other words, the stronger the economy, the greater the boost in house prices associated with a 1-point reduction in the regional unemployment rate.

To translate these results into effects on house prices in the region surrounding Foxwoods, we must first convert the employment effects discussed in section I above into changes in unemployment rates. The latter equals the number unemployed (not working and actively seeking work), divided by the labor force, which equals the number employed plus the number unemployed. Doubtless, some casino hiring has directly reduced the ranks of the unemployed, hence also nearby-LMA unemployment rates (as the labor force would not have changed). Other Foxwoods hires, however, likely are new entrants into the labor force in the 4 LMAs; the probability of this is greater, the larger is total employment at the casino. Moreover, many Foxwoods workers hired locally create job non-casino vacancies that attract job-seekers to the area. Lacking evidence on the local/in-migrant split, we assumed that 75 percent of the first tranche of 2,300 hires (early 1992) came from those unemployed and living in the 4 LMAs, while 25 percent were new labor-force entrants. For the second tranche of 1,900 workers (January 1993), we assumed a split of 65-35, and for the third tranche of 3,600 employees (the balance of 1993), 30-70.²⁰

Note that, while new labor force entrants are not included directly in our analysis, their presence in the 4 LMAs will give a further stimulus to real house prices. Hence, our calculations based just on employment gains from existing labor force give conservatively low estimates for increases in house prices.

Coupling these labor force assumptions with the regression results, and further recalling that the full indirect employment

²⁰ We limited the total additional employment to 7,800 workers in order to keep the scenarios within the present century. The full effects of casino employees added after 1994 will extend beyond the year 2000.

ECONOMIC IMPACTS OF FOXWOODS CASINO
-14-

gains discussed in section I will occur gradually over a number of years, enables us to construct a scenario for the impact of Foxwoods' expansion on real house prices in the four LMAs over the course of the 1990s. We discuss first the direct effects from casino hiring only, and then the longer-term indirect effects of the additional hiring induced by Foxwoods' growth.

Within 9 months of the first 2,300 casino hires (starting January 1992), real house prices rose by an estimated 2.6 percent, or some \$439 million.²¹ The second tranche of 1,900 employees (starting February 1993) will have added another 1.9 percent, or \$313 million, to real house prices, for a total increase of \$752 million by the end of 1993. Finally, by late 1994, assuming a third group of 3,600 new employees added during 1993, there should be a further boost in real house prices of 2.5 percent, or \$425 million, for a total of \$1.177 billion just from Foxwoods' own hiring.

Under the stated assumptions about labor force entry in the 4 LMAs, the indirect as well as the direct employment effects of the casino's growth will steadily reduce unemployment in the region. As that happens, there will be further upward pressures on real house prices. Assuming total Foxwoods employment were to remain at 7,800, by the end of the decade the estimated additional boost in house prices would total 29.1 percent, or \$4.882 billion. Combining the indirect with the earlier direct effects, the estimated increase in real house prices would come to 36.1 percent, or \$6.059. If casino hiring reached the full projected 9,500 employees by early 1994, it would add another 8 percent, or \$1.341 billion, to the totals.

²¹ This is gross upward pressure on house prices in the region from Foxwoods hiring, not a prediction of actual house-price changes. The regression results explain only some two-thirds of the variation in real house prices. Other variables, assumed constant in this discussion, could well have pushed house prices downward.

ECONOMIC IMPACTS OF FOXWOODS CASINO
-15-

To put the foregoing figures in perspective, an 18.4 percent increase in the real price of a representative house worth \$100,000 today would be \$18,400. Remember that real prices are net of price inflation.

IV. SUMMARY AND CONCLUSIONS

We have examined the economic impacts of the rapid expansion of Foxwoods High-Stakes Bingo & Casino since early 1992, on three dimensions: I. employment; II. AFDC payments; and III. house prices. Our estimates provide strong evidence that those impacts, on the state as well as on the immediate locale around the casino, have been and will continue to be significant.

I. Employment Impacts: Every new Foxwoods job will support an estimated 1.107 additional local jobs in New London County. The resulting total gain in local payroll (casino plus non-casino) equals \$50,355 per Foxwood job. For the full complement of 9,500 casino employees, total additional local employment will eventually come to 20,017. The increase in payroll for Foxwoods and non-Foxwoods workers combined will total \$478.5 million.

The employment and earnings gains in New London County will spur comparable, though smaller, gains in the rest of Connecticut, and in other states as well. The planned total of 9,500 Foxwoods workers will support up to 7,030 new jobs in the other Connecticut counties, with added payroll (at the 1990 average per job) of \$214.4 million. "Leakages" to Rhode Island and other states will reduce those figures somewhat, but the gains in the other states (especially Rhode Island) will in turn offset the leakages as their residents buy goods and services in Connecticut.

ECONOMIC IMPACTS OF FOXWOODS CASINO

-16-

II. AFDC Payments: Every new job created reduces the AFDC rolls by an estimated 0.154 to 0.260 person. If those estimates hold for the total employment impact of Foxwoods, statewide, and assuming an estimated total impact of 26,000 jobs, total AFDC recipients will decline by 4,004-6,760 people, and total budgetary savings will run \$9.61-16.20 million per year.

III. House Prices: Each decline of 1 percentage point in the unemployment rate in the 4 easternmost LMAs in Connecticut is associated with a 7.7 percent increase in real house prices, on average. Translating the employment impacts of Foxwoods into reductions in LMA unemployment rates, under plausible labor force assumptions, and taking into account the short- and longer-term adjustment lags, we estimate that the existence of the casino will have increased real house prices in the 4 LMAs by some \$1.177 billion by the end of 1994, just from casino hiring alone. Incorporating the indirect employment effects, assumed to occur gradually over the rest of the decade, the total increase in real house prices will amount to fully \$6.059 billion.

THE IMPACT OF A CHANGE IN BASIC EMPLOYMENT WITHIN ONE LMA ON HOUSE VALUES IN THE SAME AND SURROUNDING LMA'S

by John M. Clapp

September 24, 1993

What is the impact of a change in basic employment in one local area on house values in the same and surrounding areas? Suppose that we start with the New London-Norwich labor market area (LMA), and that basic employment is added to that area. This causes a larger change in total employment because basic employees spend money on local goods and services. If unemployment is above normal, as it was in 1992-93, then the additional total employment should come largely from a reduction in unemployment. Alternately, discouraged workers should come back into the labor force; this has a similar effect in terms of increasing the employment of the local population.

According to the research of Clapp and Giaccotto (forthcoming, *Journal of Urban Economics*, 1993) a reduction in unemployment will cause an increase in real house prices.¹ For each 1% decrease in unemployment, the increase in house prices should range from 2% to about 8%, with higher increases in communities with greater housing wealth and lower increases in communities with more modest housing. The Clapp and Giaccotto research shows that it is possible to measure point elasticities: that is, a 1% change in unemployment is associated with, for example, a 3% change in the value of a typical house in the opposite direction. Once this elasticity has been determined, it can be used to find the aggregate change in house values in the local area.

¹Unemployment is reduced by the change in total employment, not just the change in basic employment. Clapp and Giaccotto found that any change in unemployment, even one from the hiring of nonbasic employees, caused a change in real house prices.

BASIC EMPLOYMENT AND HOUSE VALUES

2

It is plausible that the Clapp and Giaccotto approach can be extended to find changes in house values in surrounding LMA's. This would require running regressions with percent change in real price as a dependant variable and percentage unemployment in neighboring LMA's as explanatory variables. Lagged values of unemployment might be included in this regression. Again, the elasticities found for neighboring areas could be used to find the aggregate change in house values resulting from an increase in basic employment.

Details of the Methodology for Finding Aggregate Value Changes

Aggregate assessed value for single family residential property within the LMA can be used to find the effect of a change in unemployment on aggregate house values and on aggregate tax revenues. In order to do this, it is necessary to have the aggregate assessed value as of a given point in time (e.g., October 1, 1992) within the LMA. We would then use the transactions data from OPM to find the average ratio of sales price to assessed value around this same time period. This average ratio would then be used to find total property value within the LMA. The elasticity calculated above together with the expected change in unemployment would be used to calculate the effect of the change of unemployment on aggregate single family residential property values. Note that this methodology underestimates the effect of the change in unemployment because the effect on multi-family properties and commercial properties has not been included.

The data needed to implement this can be summarized as follows:

1. Expected (or historical) change in basic employment;
2. The economic base multiplier;

BASIC EMPLOYMENT AND HOUSE VALUES

3

3. The labor force and unemployment in the LMA;
4. Indices of house prices in each LMA;
5. The elasticity of house prices with unemployment, estimated by regression analysis;
6. Aggregate assessed value for SFR property within the LMA;
7. The ratio of SFR sales prices to assessed value.

Items 3-6 would be needed for neighboring LMA's if estimates of spillover effects were required.

Estimating the Elasticity of Change in House Prices with Respect to Change in Unemployment

Regression analysis was used to estimate the percent change in real house prices with respect to a 1% change in the unemployment rate. An attempt was made to estimate two elasticities of this type: one with respect to a 1% change in unemployment in the same LMA and second with respect to a 1% change in unemployment in a neighboring LMA.

To begin this process, we collected data on quarterly unemployment rates by town from the beginning of 1982 through the first quarter of 1993. This was done for each town within four LMAs (see Map 1):

Danielson

Lower River

New London/Norwich

Willimantic

The unemployment data are graphed as Figure 1 and Figure 2.

The graph tells us that the unemployment rates in the four LMA's generally moved

BASIC EMPLOYMENT AND HOUSE VALUES

4

together, even though the levels are somewhat different. Thus, the whole region was clearly influenced by very similar economic conditions over this time period. This suggests that it will be difficult or impossible to disentangle the effects of unemployment change in neighboring areas from unemployment change in the same area as the real price change.

Indices of the value of a typical house in each LMA have been developed by the author (see Figure 3). These numbers measure the value of a typical, unchanged house in each area. The dollar values are an estimate of the most likely sales price obtained from repeatedly selling this unchanged house each quarter from the fourth quarter of 1981 through the first quarter of 1993.

Since the population and income characteristics of each area differ, the typical house differs. For example, the typical house in the Lower River area is a better quality, on a better location, than the typical house in each of the other three area (Figure 3). New London/Norwich has a typical house in the middle of the value range whereas Danielson is at the low end.

The movements of house prices are somewhat different in the four LMAs. Lower River has had essentially constant house prices since the end of 1987 whereas the other areas experienced some decline, at least through the fourth quarter of 1992. The New London/Norwich LMA has been more negatively impacted over the last two years, probably by a decline in defense-related employment.

The constant quality price indices are deflated by the Consumer Price Index (CPI) in order to find real house prices. We do this because we expect unemployment to have an influence on real house prices, not on the rate of inflation.

BASIC EMPLOYMENT AND HOUSE VALUES

5

Finally, we take percentage change in real house prices. The percentage change transformation is used because we are trying to find an elasticity between house price change and change in unemployment.

The four LMAs considered here define a region with the New London/Norwich LMA as its core. This research focuses on the change in basic employment within the New London/Norwich LMA. Since this is the core, we define the three other LMAs as the peripheral regions. We are interested in the impact of the change in unemployment within New London/Norwich on each of the three neighboring areas (see the arrows on Map 2). Therefore, New London/Norwich is defined as the appropriate neighboring area for each of the other three.

For New London/Norwich itself, the appropriate concept of neighboring area is an average of the other three areas. That is, we would like to know the impact of a change in unemployment within the entire peripheral region on the core area (New London/Norwich). When we average unemployment in these three areas, we weight the unemployment in each area by the total labor force within the area. This gives lower weight to the Lower River area and higher weight to Willimantic and Danielson.

In order to implement the model efficiently, we stack the data. That is, we take the quarterly data for Danielson and put it at the top of the stack; under those data we put all of the quarterly data for Lower River and so for the four LMAs.

Results of the Regression Analysis

When unemployment in the same LMA ("own unemployment") is the only explanatory variable, then the estimated elasticity is between -3 and -4 (Table 1, regressions 1 and 2). This means that an increase in unemployment of 1% will cause a decrease in real house prices of

BASIC EMPLOYMENT AND HOUSE VALUES

6

between 3 and 4%. The higher elasticity (-4) is associated with a 3 quarter (9 month) lag on unemployment, and this lag increases the R^2 significantly. A three quarter lag is plausible because it takes time for an increase in unemployment to have an effect on purchases of houses. Since a number of tests revealed that the three quarter lag is best, we retain that for the rest of this research.

When neighboring unemployment is added to own unemployment in regressions 3-5 of Table 1, the neighboring unemployment has an elasticity of between -6.9 and -7.4. Also, the addition of neighboring unemployment nearly doubles the R^2 to the vicinity of .65.

The most surprising result is that the own unemployment elasticity is small and not statistically significant when the neighboring unemployment is included in the regression! The most likely explanation of this is the similarity of movement among all of the unemployment variables (Figure 1). Since neighboring unemployment is typically for much larger geographical areas (See Map 2 and discussion in text) it dominates own unemployment.

Since New London/Norwich is the center of the region, we hypothesize that this elasticity might be different than those for the three peripheral LMAs. Regressions 4 and 5 test this possibility with negative results.

The Impact of Unemployment in the Entire Region

The five regressions presented so far (Table 1) are unable to distinguish between the impact of unemployment in the own LMA and unemployment in neighboring LMAs. Therefore, we did the analysis with unemployment in the entire metropolitan area as an explanatory

BASIC EMPLOYMENT AND HOUSE VALUES

7

variable.² The result, regression 6 in Table 1, indicates an elasticity of -7.7.

It is possible that unemployment has a nonlinear effect on percent change in house prices. It is reasonable to expect that a reduction in unemployment has less effect at high levels of unemployment than it does at low levels of unemployment. This is because some reduction in unemployment when the economy is very slack will have little effect on the demand for housing. But, when unemployment is low, demand for housing is pushing against a limited supply and prices will rise rapidly, after a 9 month lag.

We tested this idea by including unemployment squared in regression # 7 in Table 1. The positive sign on squared unemployment conforms to our expectation that the effect of unemployment on house price change is greater when the unemployment rates are low. Regression # 7 predicts the following elasticities of house prices with respect to unemployment:

Unemployment Rate	Elasticity
.03	-13.2
.04	-10.9
.05	-8.6
.06	-6.3
.07	-4.0

These elasticities are the ones used to estimate the effect of the change in basic employment on house prices in the four labor market areas considered here. By measuring total

²Because of the way that the data were collected for the study this variable is the weighted average of the four unemployment rates in each quarter. The weighting factor is the labor force in each area in 1990. This unemployment series is an approximation to the rate of unemployment that would be attained if unemployed persons were added up for the four LMAs and divided by the sum of the labor force in the four LMA's.

BASIC EMPLOYMENT AND HOUSE VALUES

8

house value in the four areas, we can estimate the aggregate dollar change in house value due to any change in basic employment.

Our conclusion from this research is that the average elasticity of real house price change with respect to unemployment in the region is -7.7 over the time period from 1982-1993.³ This elasticity is higher when unemployment is low (e.g., 3%) than when it is high (e.g., 7%). The elasticity of real house price change with respect to unemployment in one's own area is approximately zero.

The Impact of Unemployment on Aggregate House Values in the Entire Region

Our main finding from the previous section is that a change in unemployment in the region defined by the four LMAs has a roughly the same effect on each of the LMAs within the region. This effect is measured by the elasticities based on regression 7, Table 1 (see discussion above). Since the effect is the same for all LMAs in the region, it is a simple matter to measure the impact of a reduction in unemployment in the broad region on house values in the region.

To implement this idea, we calculated the following:

1. Aggregate residential property values in the entire region as of April 1, 1991. This information came from the Equalized Net Grand List (ENGL) computed by the Office of Policy and Management.
2. The change in unemployment caused by a change in basic employment. This is the basic employment change multiplied by the economic base multiplier and divided by the labor force in the region as of the second quarter, 1992.

³This conclusion is undoubtedly specialized for the region being considered here. The dominant position of the New London/Norwich LMA gives a very special interpretation to the concept of neighboring unemployment.

BASIC EMPLOYMENT AND HOUSE VALUES

9

3. Multiply the result from Step 2 by the elasticities calculated in the previous section.⁴ This gives the percentage change in house values expected because of the new basic employment.
4. Multiply the percentages in step 3 by the aggregate house value in step 1 to obtain the aggregate change in house value in the region because of the change in basic employment.

When these steps were implemented with the data for the four LMAs, we found a change in aggregate value of \$1.8 B (+10.8% for the typical house) over a 5 year period, from the February 1992 hiring of 2,300 employees. The January, 1993 hiring of an additional 1,900 employees produces an additional \$4.1 B change in house values (+6.8% for the typical house). Finally, the hiring of an addition 5,200 employees by January, 1994 is estimated to produce an additional \$4.4 B in house value (+26.4% for the typical house) within 5 years (by 1999).

The grand total from hiring 9,400 employees is expected to be an increase of \$7.4 B in house value (47.5% increase in the typical house). This scenario, which assumes no other changes in the economy (e.g., no major changes at electric boat), should be fully realized by 1999.

⁴Since the elasticity varies with the unemployment rate, steps 2 and 3 are done for each 1% change in unemployment caused by the basic employment change.

III. HOUSE PRICES

A relationship between percent change in house prices and the rate of unemployment (unemployed persons divided by the labor force) was used to determine the effects of an increase in basic employment on house prices. It is reasonable to expect that economic recessions will cause unemployment to rise and to remain at a high level; this reduces the demand for housing and causes house prices to decrease. Conversely, a robust economy will cause the unemployment rate to decline to low levels, exerting upward pressure on house prices. Therefore, we use regression analysis to find the percent change in house prices for every 1% in the unemployment rate. This approach has been tested in the academic literature.

Seventy-five percent of the direct plus indirect employment effects are assumed to come from the unemployed in the four labor market areas combined.⁵ Twenty-five percent of the new employment is assumed to come from new entrants into the labor force: for example, discouraged workers or those hired from outside the four LMA's. We then divide the change in unemployment by the labor force to find the effect of new employment on unemployment in the area.

In the current version of the model, twenty-five percent of the employees that come from new entrants into the labor market have no impact on house prices. In reality, they undoubtedly would bid for housing and cause house prices to increase. Thus, our model produces a conservative (low) estimate of the impact of new employment on house prices.

Our regressions show that it takes at least 9 months for a change in the unemployment

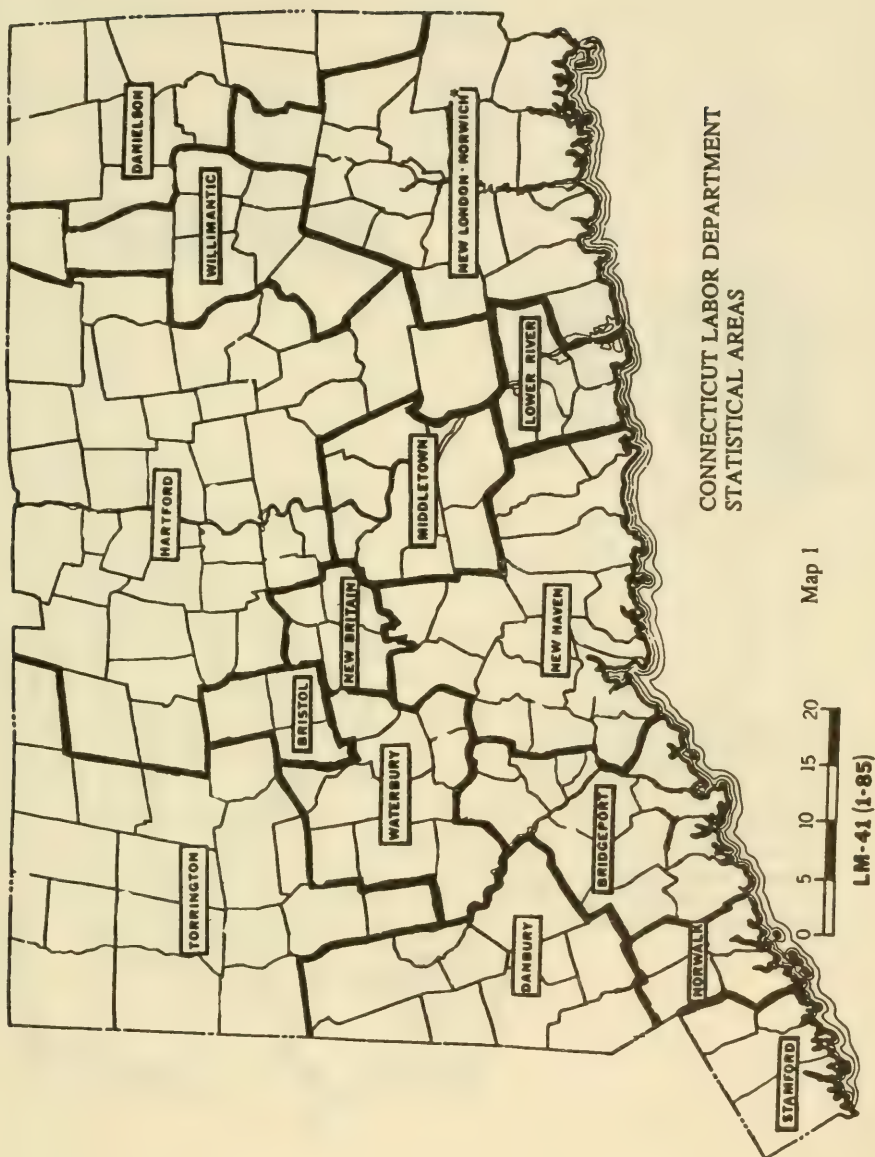
⁵The hypothesis is that the impact of unemployment on house prices in the New London-Norwich LMA will depend on regional unemployment, not just local. This hypothesis holds up well in the four adjoining LMAs.

BASIC EMPLOYMENT AND HOUSE VALUES

11

rate to have an impact on house price changes. In addition, it takes time for a change in basic employment to cause changes in nonbasic employment. This time lag can be substantial because restaurants, retailers and other nonbasic employers respond slowly to new business opportunities in the area. Therefore, we estimate that it takes one to five years for the effects of new basic employment on house prices to be fully realized.

Our estimates of the impact on house prices are quite large.

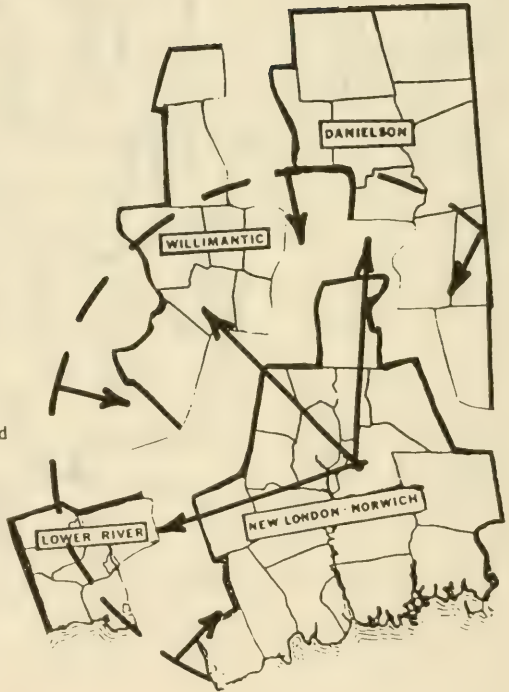


Map 2

RELATIONSHIP AMONG THE
FOUR LABOR MARKET AREAS
OF EASTERN CONNECTICUT



The New London/Norwich LMA is the core employment market influencing each of the surrounding LMA's (radial arrows). New London/Norwich is influenced in turn by the ring of three surrounding LMA's (dashed ring and arrows). The influence of the ring LMA's is measured by the weighted (by resident labor force) average unemployment rate in the three LMA's.



Unemployment Rate

1981:Q4 - 1993:Q1, 4 LMA's

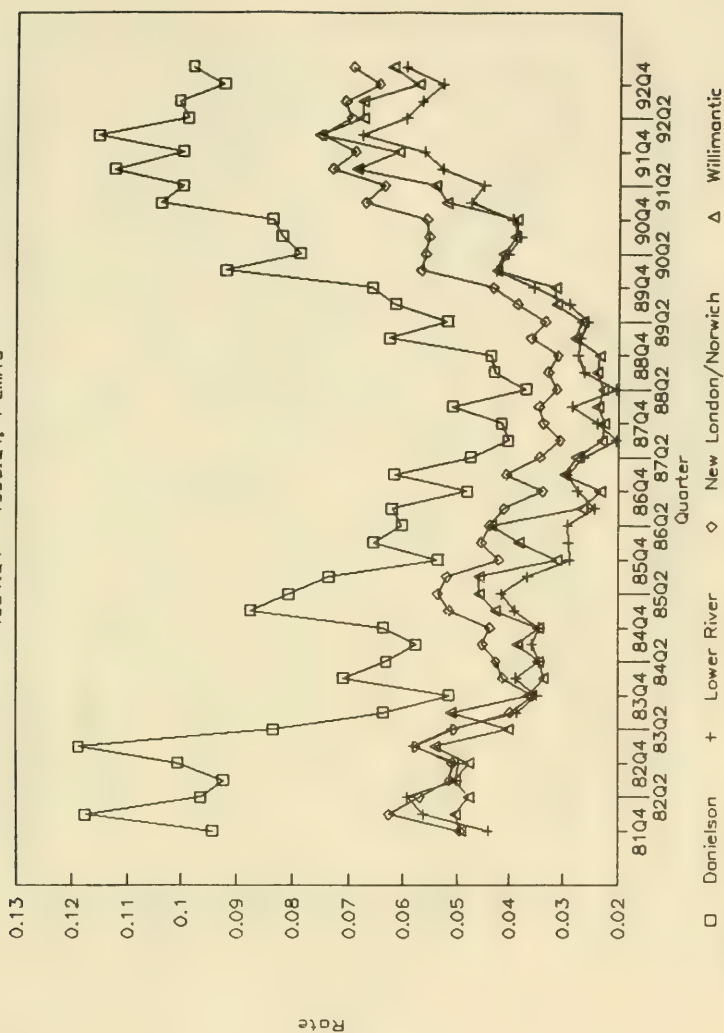
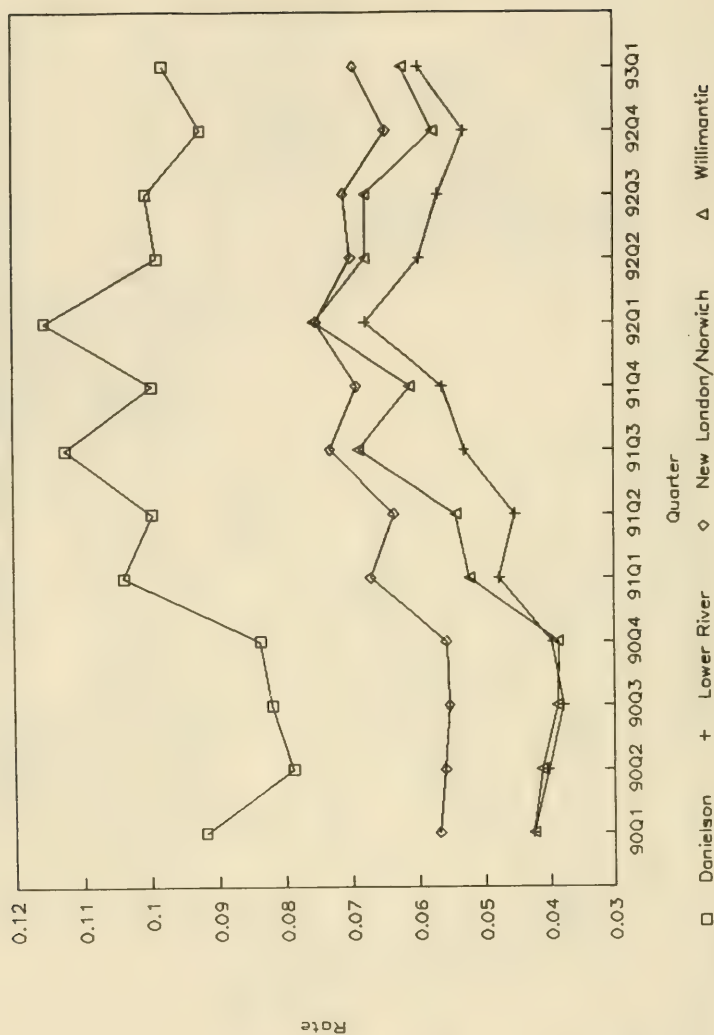


Figure 1

Figure 2

Unemployment Rate

1990:Q1 - 1993:Q1, 4 LMA's



Constant Quality House Price Index

1981:Q4 = 1993:Q1, CPI Adjusted

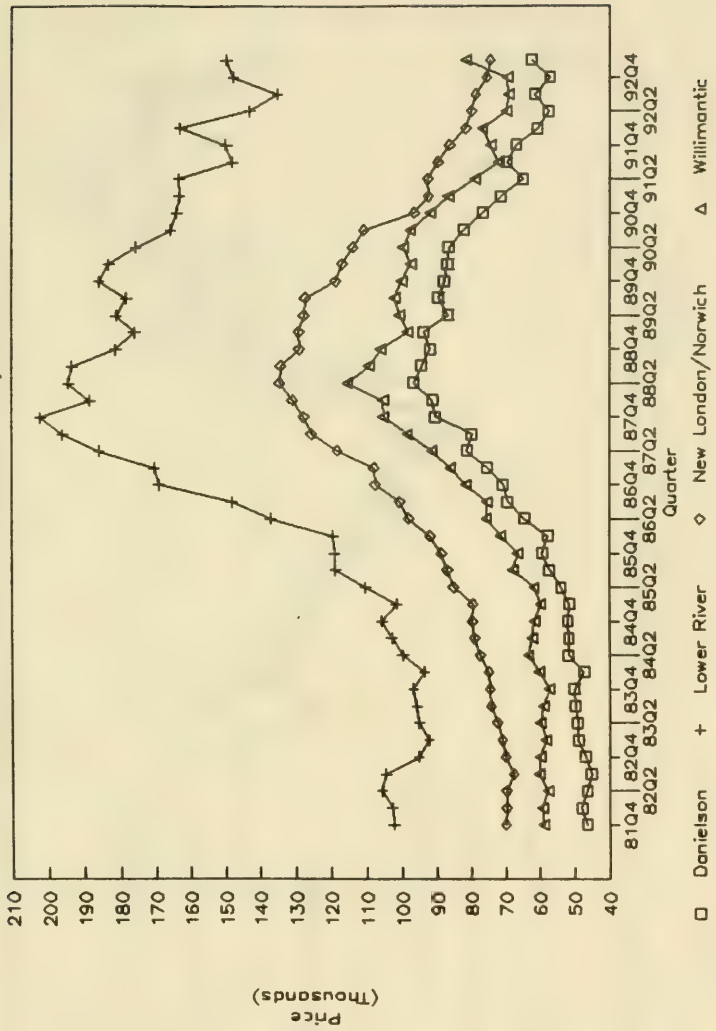
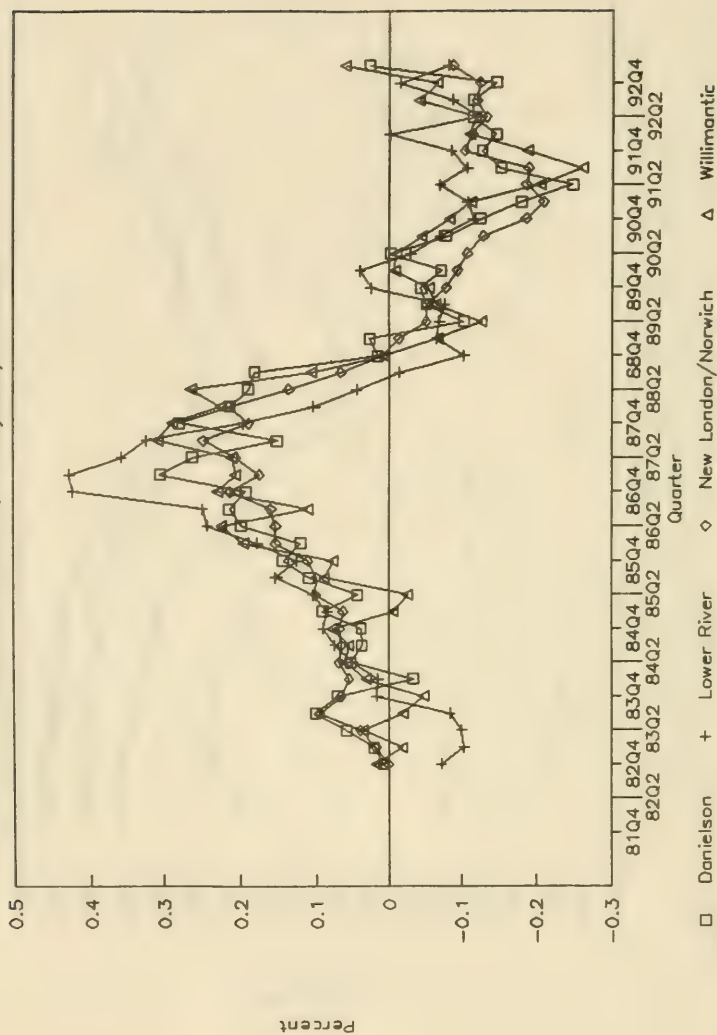


Figure 3

Figure 4

Percent Change CQHPI

1981:Q4 - 1993:Q1, CPI Adjusted/4 LMA's



BASIC EMPLOYMENT AND HOUSE VALUES

TABLE 1

REGRESSION #	1	2	3	4	5	6	7
Constant	0.192	0.241	0.414	0.418	0.423	0.422	0.731
Own Unemployment (Contemp)	-3.224 0.439	---	-0.705 0.457	---	---	---	---
Own Unemployment (3 Qtr. Lag)	---	-4.138 -.429	-6.935 0.648	-0.587 0.465	-0.548 0.471	---	---
Neighboring Unemployment	---	---	---	-7.244 0.688	-7.377 0.725	---	---
New London/Norwich Shift	---	---	---	0.425 0.327	-2.173 4.363	---	---
New London/Norwich Neighboring Shift	---	---	---	---	2.38 3.984	---	---
Weighted Avg. Area Unemployment	---	---	---	---	---	-7.716 0.443	-20.12 3.45
Weighted Avg. Area Unemployment Squared	---	---	---	---	---	---	115.16 31.68
R ²	0.245	0.376	0.644	0.647	0.648	0.664	0.692
Degrees of Freedom	166	154	153	152	151	154	153

Economic Base Analysis for New London County

Jon Vilasuso

September 6, 1993

Summary

This study examines the employment and income effects of creating one additional job at Foxwoods High Stakes Bingo & Casino. Specifically, we address the following set of questions.

1. How many additional jobs, not including the one job at Foxwoods High Stakes Bingo & Casino, will be created in New London County?
2. What additional annual income is realized in New London County as a result?
3. Will the rest of Connecticut (not including New London County) also experience job growth as a result of generating an additional job at Foxwoods High Stakes Bingo & Casino?
4. What additional annual income is realized in the rest of Connecticut if job growth is present?

Each question is addressed in turn.

1. Employment Effects in New London County Using employment data from the 1990 County Business Patterns and the 1987 Census of Governments, we find that the creation of one job at Foxwoods High Stakes Bingo & Casino supports an additional 1.23 jobs in New London County. For each new job created at the casino, New London County realizes a total increase in employment of 2.23 jobs inclusive.¹

¹ This assumes that the additional job created at the casino serves customers outside New London County. In this case, this assumption appears reasonable because this new job is placed under 70 SIC, which for New London County, is primarily directed at nonlocal consumption needs.

2. Income Effects in New London County Using payroll data from the County Business Patterns and the 1987 Census of Governments, we find that the additional 1.23 jobs in New London County generates an annual income of \$25,482 in 1990 dollars. In other words, the addition of one position at Foxwoods creates additional income of \$25,482 per year in 1990 dollars for New London County beyond the annual income of the casino employee.²

3. Employment Effects in Connecticut Excluding New London County As a result of adding one additional employee to Foxwoods, the state of Connecticut, excluding New London County, realizes a gain in employment of 0.74 new jobs.

4. Income Effects in Connecticut Excluding New London County The 0.74 new jobs in Connecticut, excluding New London County, generates annual income of \$20,415 measured in 1990 dollars. This figure does not include income changes in New London County.

Methodology

In this part, the methodology employed is described. Each question in examined in turn.

1. Employment Effects in New London County Economic base analysis is used to address the question: what are the total employment effects of creating an additional job in New London County? To determine the total employment effects, we must first distinguish between employment that serves the consumption needs of the local economy--nonbasic employment--and employment that produces goods and services for nonlocal use--basic employment. If a basic job is newly created, then the total employment effects exceeds the one

² This works out to an annual income of \$20,717 per worker in 1990 dollars for New London county. This is above average when compared to the average income of all U.S. workers; the Economic Indicators reports an average annual (52 weeks) gross income of \$17,958 in 1990 dollars for all U.S. workers.

job because this new basic job supports additional jobs in the local economy's nonbasic sector. The total employment effect is then the sum of the one basic job and the additional nonbasic jobs that are created as a result.

Total employment effects of expanding operations at Foxwoods High Stakes Bingo & Casino are determined by an average requirements approach. Under the average requirements approach, the average of employment per capita in each industry is used to determine the number of jobs that are needed to service local consumption. Basic and nonbasic employment for New London County are then identified by comparing New London County per capita employment with the average of per capita employment in all Connecticut counties excluding New London county for each industrial classification reported. That is, if New London County has a high level of employment in a given industry compared with the average of Connecticut's remaining counties, then part of New London County's employment in this industry must service nonlocal needs as well as satisfying the needs of local consumers. On the other hand, should New London County have less than its share of employment, then local production is directed primarily at local needs.

The comparison between local per capita employment and average per capita employment is done for both private employment and public employment. Private employment encompasses 101 two or three digit industry classification. Although disaggregation to the three digit level is preferable, this is not always possible because employment figures are not reported if a particular industry includes only a small number of firms, which is the case for Electric Boat. For this reason, manufacturing employment is reported as an aggregate figure. Public employment includes 11 categories such as teachers at public schools and parks and recreation employees.

Three points deserve further mention. First, armed services employment is excluded. We have not included military personnel because it seems inappropriate to assume that military employment

in Connecticut serves Connecticut residents alone. It would be more appropriate to include military personnel if the benchmark economy were the United States rather than the state of Connecticut. Second, the counties used to compute average requirements do not include counties that fail to report a particular industry or report only a range of employment. In such cases, employment may be zero or an industry may have only one main employer. Rather than assume zero employment or use some median value of the range, we chose to exclude these entries when computing average requirements. Third, this study uses per capita employment rather than employment relative to total employment in the local economy. The use of per capita figures does not assume that the demographic qualities of Connecticut's counties are uniform, and per capita data better portray local consumption needs.

More formally, total employment in a local economy j , E_j , is the sum of total basic employment, B_j , and total nonbasic employment, N_j ; or $E_j = B_j + N_j$.³ The ratio of nonbasic to basic employment in economy j , $k_j = N_j/B_j$, measures the number of additional local jobs supported as a result of creating one new basic job. Thus, the total employment effect, including the basic job, is just $k_j + 1$. The ratio k_j is calculated by determining the fraction of local employment needed to support local consumption, and the remaining (if any) that serves nonlocal needs.

To determine k_j , we begin by measuring total employment in industry $i=1, \dots, n$ for County $j=1, \dots, m$ denoted $E_{i,j}$. Per capita employment in industry i is $e_{i,j} = E_{i,j}/p_j$ where p_j is the population of County j . Next, the average per capita employment for all counties excluding county j in industry i , \bar{e}_i , is computed by

$$\bar{e}_i = \frac{1}{m-1} \sum_{k \neq j} e_{i,k} \quad (1)$$

This average per capita employment figure measures the per capita

³ A list of all variables used in this study is shown on the last page.

employment needs to service local consumption needs. This calculation is done for all industries.

Comparing $e_{i,j}$ and θ_i determines whether employment in industry i for County j exceeds employment needed to serve local consumption. That is, if $e_{i,j} > \theta_i$ then part of total local employment in industry i meets nonlocal demand as well as local demand. More formally, if $e_{i,j} > \theta_i$ then nonbasic employment in industry i is $n_{i,j} = (e_{i,j} - \theta_i) (p_j)$, otherwise $n_{i,j} = E_{i,j}$ in which case only local needs are met. Similarly, basic employment in industry i is $b_{i,j} = E_{i,j} - n_{i,j}$ if positive, otherwise $b_{i,j} = 0$. Finally, k_j is given by the expression

$$k_j = \frac{\sum_{i=1}^n n_{i,j}}{\sum_{i=1}^n b_{i,j}} = \frac{N_j}{B_j} \quad (2)$$

For New London County, $k_j = 1.23$.

2. Income Effects in New London County The total income effects realized in New London County include the one job created at Foxwoods High Stakes Bingo & Casino plus the annual incomes of the 1.23 additional workers. The annual salaries of the 1.23 workers is of primary interest here.

To compute this income, we begin by calculating the annual income per worker⁴ in industry i for New London County, $s_{i,j}$. The annual income per worker in each industry is weighted by the percentage of nonbasic employment in that industry relative to total nonbasic employment. This weighing scheme uses only nonbasic because the 1.23 new jobs are nonbasic, and serve only the one new (basic) job created at the casino. The annual income attributed to

⁴ Income figures include salaries, wages, commissions, bonuses, vacation allowances, and the values of payments in kind (e.g. free food). Also included are tips and gratuities. Finally, income data is before social security, income tax, etc. Note that this definition coincides with that used by the IRS on Form 941.

the creation of k_j nonbasic jobs is then given by

$$k_j \sum_{i=1}^n \frac{b_{i,j} \theta_{i,j}}{B_j} \quad (3)$$

In the case of New London County, the income effect, excluding the new job at Foxwoods High Stakes Bingo & Casino, is \$25,482 annually in 1990 dollars.

3. Employment Effects in Connecticut Excluding New London County By creating jobs in New London County, the rest of the state of Connecticut also realizes gains in employment due to the linkages between New London County and the rest of the state. The first step in determining the effects generated in Connecticut, excluding New London County, involves calculating imports for New London County that arise from the creation of 2.23 new jobs. We assume that the imports needs of New London County are met by the rest of the state of Connecticut. The amount of new employment in the rest of the state needed to meet the consumption needs of the new 2.23 workers in New London County is given by the expression

$$\frac{\sum_{i=1}^n \max(0, \theta_{i,j} p_j - E_{i,j})}{E_j} \times 2.23 = (0.121)(2.23) = 0.27 \quad (4)$$

which states that 0.27 basic jobs in Connecticut, excluding New London County, are newly created as a result of adding one job at Foxwoods High Stakes Bingo & Casino (which, in total, creates 2.23 new jobs in New London County). The intuition behind expression (4) is that where local per capita employment is not sufficient to meet the needs of the local economy, this employment must be imported (we have assumed that this imported employment comes from the rest of the state of Connecticut). Thus, equation (4) measures imported employment to New London County that arises as the result of creating a total of 2.23 new jobs in the local economy. This then corresponds to new (basic) jobs created in Connecticut, excluding New London County, attributed to changes in employment levels in the local economy (New London County).

The second step involves computing the nonbasic to basic ratio for the rest of Connecticut, k_r . Let $\bar{s}_{i,j}$ denotes the requirement that determines basic employment in industry i , that is $\bar{s}_{i,j} \in \{s_i, e_{i,j}\}$. In other words, $\bar{s}_{i,j}$ represents the employment factor that calculates basic employment in county j , and assumes a value of employment per capita in county j or average employment per capita. To begin the second step, we note that the nonbasic to basic ratio for New London County, equation (2), can be rewritten as

$$k_j = \frac{E_j - p_j \sum \bar{s}_{i,j}}{p_j \sum \bar{s}_{i,j}} = \frac{E_j}{p_j \sum \bar{s}_{i,j}} - 1 \quad (5)$$

Solving expression (5) for $\sum \bar{s}_{i,j}$ yields

$$\sum \bar{s}_{i,j} = \frac{E_j}{p_j(k_j + 1)} \quad (6)$$

If we isolate New London County and the rest of Connecticut as the primary economies of concern, then the nonbasic to basic ratio for the rest of Connecticut is

$$k_r = \frac{E_r}{p_r \sum \bar{s}_{i,j}} - 1 \quad (7)$$

where p_r and E_r are the population and total employment in Connecticut excluding New London County, respectively. Expression (7) is just the counterpart to expression (5) for the rest of Connecticut once we model New London County and the rest of Connecticut as interdependent economies. Alternatively, the ratio of nonbasic to basic employment for the rest of Connecticut can be derived by treating the rest of Connecticut as the local economy and New London County as the benchmark economy. Substituting (6) into (7) yields the nonbasic to basic ratio for the rest of Connecticut, that is,

$$k_r = \frac{p_j(k_j + 1)E_r}{p_r E_j} - 1 = \frac{(254,957)(1.23 + 1)(1,387,345)}{(3,032,159)(94,678)} - 1 = 1.75 \quad (8)$$

The final step calculates the total employment effects in the rest of Connecticut,

$$\Delta E_r = \Delta B_r(1 + k_r) = (0.27)(1 + 1.75) = 0.74$$

As a result of creating an additional job at Foxwoods High Stakes Bingo & Casino, the rest of the state of Connecticut enjoys an increase of 0.74 jobs.⁵

4. Income Effects in Connecticut Excluding New London County The income effect for the rest of the state is determined by first calculating the average private annual income for Connecticut excluding New London County, and then multiplying this figure by the 0.74 jobs.⁶ In 1990 dollars, we find that Connecticut, excluding New London County, realizes an increase in annual income of \$20,415.

⁵ Assuming that all imported employment to New London County comes from the rest of Connecticut, appears at first glance to arrive at an overly optimistic estimate of employment growth in the rest of the state. This estimate, however, may not overstate employment growth in the rest of Connecticut. If, say, Rhode Island provides the extra employment needs of New London County then the state of Connecticut may still experience job growth. Even if labor is imported from Rhode Island, if Rhode Island in turn imports labor from Connecticut, then Connecticut may experience a comparable amount of job growth in any case.

⁶ The average private annual income calculation is from the 1990 County Business Patterns.

Variable List

E_j = total employment in county j

$E_{i,j}$ = employment in industry i for county j, where $E_j = \sum_i E_{i,j}$

B_j = total basic employment in county j

$b_{i,j}$ = basic employment in industry i for county j, where

$$B_j = \sum_i b_{i,j}$$

N_j = total nonbasic employment in county j

$n_{i,j}$ = nonbasic employment in industry i for county j, where

$$N_j = \sum_i n_{i,j}$$

$e_{i,j}$ = per capita employment in industry i for county j,
i.e., $E_{i,j} / p_j$

\bar{e}_i = average per capita employment in Connecticut counties
excluding New London County, see equation (1)

$\bar{e}_{i,j}$ = employment per capita figure that is used to calculate
basic employment in industry i for county j

p_j = population of county j

k_j = ratio of total nonbasic to total basic employment in
county j, see equation (2)

$s_{i,j}$ = annual income per worker in industry i for county j

APPENDIX

What if only part of a given change in employment under study is basic? Suppose (for instance) that only 90 percent of Foxwoods Casino customers come from outside New London County. The effect would be to reduce the effective size of the economic-base multiplier, which translates a given change in basic employment into the attendant change in non-basic employment. What is the size of the reduction?

From equation (2) above, the estimated multiplier (k) for a given area is equal to the ratio of non-basic (N) to basic employment (B):

$$k = N/B. \quad (1A)$$

Rewriting this, non-basic employment is equal to the multiplier times basic employment:

$$N = kB. \quad (2A)$$

In the present study, we are interested in the total increase in employment in New London County resulting from an increase in hiring at Foxwoods. The logic of economic base analysis requires that the former increase equal the latter increase multiplied by the multiplier. That is, the ratio of non-basic to basic employment after the changes should be the same as it was before they occurred. Thus, we have (denoting changes by prefixing d to the variable):

$$k = dN/dB \quad (3A)$$

Rewriting (3A) gives

$$dN = kdB. \quad (4A)$$

In the present case, an increase in Foxwoods employment (call it dF) consists of two components, one basic (dF_b) and the other non-basic (dF_n):

$$\begin{aligned} dF &= dF_b + dF_n \\ &= adF + (1 - a)dF, \end{aligned} \quad (5A)$$

where a is the average proportion of Foxwoods workers who serve customers from outside New London County.

The new casino employment will generate additional non-basic jobs in the county, some at the casino itself (dF_n) and others outside it -- call them dN_o -- as a result of the new basic Foxwoods jobs:

$$dN_o = kdF_n . \quad (6A)$$

From (4A), we have

$$dN = kdB = dF_n + dN_o . \quad (7A)$$

Rewriting (7A),

$$\begin{aligned} dN_o &= kdB - dF_n . & (8A) \\ &= kadF - (1-a)dF \\ &= [ka - (1-a)]dF \\ &= (ka - 1 + a)dF \\ &= [a(k+1) - 1]dF \end{aligned}$$

Thus, the special "Foxwoods multiplier", k' , that translates an increase in casino employment into new non-basic employment outside the casino is equal to

$$k' = dN_o/dF = a(k+1) - 1 . \quad (9A)$$

This special multiplier is increasing in a (the proportion of Foxwoods employment that is basic) and thus decreasing in $(1-a)$: The higher the proportion of non-basic workers at the casino, the smaller will be the multiplier k' .

The total effect on employment of a given increase in Foxwoods hiring, given a , consists of three parts:

- (i) the non-basic jobs at the casino;
- (ii) the basic jobs there; and
- (iii) the non-basic jobs elsewhere created as a result of those basic jobs.

Thus,

$$dN = dF_n + dF_o + dN_o . \quad (10A)$$

But we have shown that the last two terms on the right are equal to $k'dF$. Hence,

$$\begin{aligned} dN &= dF_n + k'dF & (11A) \\ &= dF_n + [a(k+1) - 1]dF . \end{aligned}$$

To illustrate, suppose that 900 of every 1,000 new Foxwoods employees serve customers from outside New London County; the rest serve county residents who come to the casino. The 900 would be "basic," and the remaining 100 "non-basic," employees. Therefore, $a = 0.9$ and $(1 - a) = 0.1$. We found that $k = 1.23$. For $dF = 1,000$ and $dF_n = 100$, from (11A) we see that

$$\begin{aligned} dN &= 100 + [0.9(2.23)-1]1,000 \\ &= 100 + [1.007]1,000 \\ &= 1,107 \text{ new non-basic jobs.} \end{aligned}$$

Thus, the total employment increase is $dN + dF_b = \underline{2,007}$ new jobs. Checking this result against (10A), $dF_n = 100$,

$$\begin{aligned} dF_b &= 900 \\ dN &= \underline{1,007} \\ \text{TOTAL: } &\underline{2,007} . \end{aligned}$$

DETERMINANTS OF WELFARE DEPENDENCE: A STUDY OF AFDC CASELOADS

Subhash C. Ray
Department of Economics
University of Connecticut
Storrs CT 06269

Consider a population of P individuals in a society. Assume that Y of these P individuals are of working age and are potentially employable. The remaining $R = P - Y$ individuals are children, old people, or disabled and are not eligible for employment. Among the Y people eligible for employment some will decide to seek employment and participate in the labor force; others will not look for employment. Suppose that L persons participate in the labor force and $N = Y - L$ stay out of the labor force. there are $E < L$ jobs available. Thus, E persons are employed and $U = L - E$ people are unemployed. Those who are unemployed either depend on welfare or are self-supporting living on personal wealth. Let W_1 be the numbers of persons who live on welfare while looking for employment. Similarly S_1 is the number of unemployed persons who are self-supporting. Of the N working age people not in the labor force S_2 are self-supporting and W_2 are on welfare.

Finally, out of the R people not eligible for employment W_3 survive on welfare and S_3 are either self-supporting or supported by others not on welfare. Thus, the total number of persons on welfare is $W = W_1 + W_2 + W_3$. Similarly, the number of persons who are neither currently employed nor on welfare is $S = S_1 + S_2 + S_3$. The tree diagram in Figure 1 shows the division of the population into the various categories defined above.

It is possible to specify a relation

$$W = f(P, E, r)$$

where r is the welfare payment per recipient and the other variables are as defined above. We discuss below the marginal effect of a change in each of the three independent variables on the number of welfare recipients.

Consider, first, an increase in population (P) holding employment (E) constant. Then the extra person must be one among the $(U + N + R)$ people not currently employed. The probability that this person will be on welfare is

$$\pi_1 = \frac{W}{S}.$$

The marginal effect of an increase in P on W is $\pi_1 > 0$.

Next consider an increase in employment (E) due to an increase in the number of available jobs. If everything else remained unchanged, the new job employs a person currently unemployed but

looking for a job. This person could be either self-supporting or currently on welfare. If the person is actually currently on welfare, the new job reduces the number of welfare recipients by one. The probability that the person is being taken off the welfare rolls is

$$\pi_2 = \frac{W_1}{W_1 + S_1}.$$

Thus

$$\frac{\partial W}{\partial E} = \pi_2 < 0.$$

Finally consider an increase in the amount of welfare payment. Assuming that the change does not exceed average non-labor income. Hence, it does not become worthwhile to surrender one's property income and become eligible for welfare.

An increase in welfare payments would alter the labor force participation decision for some people. This affects the distribution of working age persons (Y) between participants (L) and non-participants (N). If a person moves out of L to N , (s)he could currently be either in E or in U . When the person makes a transition from E to N the person would add to S_2 . This is because the individual's non-labor income has not changed. Hence, if (s)he decided to work before, an increase in welfare payment is not going to induce this individual to switch from employment to move out of labor force but stay self-supporting. As (s)he adds to W_2 , total welfare dependence (W) would increase. We continue to assume here that the number of jobs available has not changed. Hence, if an employed person quits, some one out of the currently unemployed people still in the labor force would take the vacant job. If this newly employed person is currently self-supporting (one from S_1) there is no effect on W . If, on the other hand, the person is currently on welfare, transition from W_1 to E would reduce welfare case load. It is possible, however, that a person previously looking for a job while surviving on welfare may now decide to drop out of the labor force and decide to stay on welfare after an increase in welfare payment. Thus, the probability that a person filling that newly vacant position would move out of welfare is even less than π_2 defined earlier. In any case, an increase in welfare payment increases case load *ceteris paribus*.

An indirect effect of such increase in welfare dependence is that some people in the S_3 category (e.g., dependent children of workers) automatically move to the W_3 category when their providers move out of employed status and become welfare dependent. Hence, the total effect of an increase in welfare payment would be even greater than what is measured by the direct impact.

Figures 2a-2b illustrate the labor force participation decision of a person currently unemployed and surviving on non-labor (non-welfare) income. The horizontal axis measures the individual's leisure (x) and the vertical axis measure a composite consumption good (y). Let x_0 show the endowment

of time and $x_0 y_0$ shows the person's non-labor income. The line $z_0 y_0$ is the person's "budget line", the slope of which corresponds to the wage rate. In figure 2a the point P_a corresponding to the tangency of this budget line with one of the indifference curves of the individual is the optimal point. The indifference curve through P_a is higher than the indifference curve through y_0 . Hence, the individual would be better off working rather than dropping out of the labor force and living on non-labor non-welfare income.

Now if this person is not able to find a job, the individual will be forced to move to the point y_0 as the next best alternative; but (s)he would continue to look for employment. Assume that the amount of welfare payment is $x_0 d_0 < x_0 y_0$ and that people with independent income are not eligible for welfare. The individual is clearly better off as self supporting rather than as a welfare recipient with not other non-labor income.

In Figure 2b, the individual's indifference curve through y_0 is higher than the one tangent to the 'budget line' at P_b . This person is better off staying out of the labor force and remaining self-supporting on non-labor income.

The individual considered in Figures 3a-3b has no non-labor income and has to either work or survive on welfare. The point d_0 on the vertical line $x_0 d_0$ shows the individual's consumption of leisure and the consumption good when on welfare. Note that the individual becomes ineligible for welfare if the person has a job. Hence the person's 'budget line' is $x_0 z_0$. In figure 3a the tangency point P_a corresponds to a higher indifference curve than the one through the point d_0 . Hence, the person would be better off by working by than remaining on welfare. If the person fails to get a job, (s)he would stay on welfare at the point d_0 but would continue to look for a job and remain in the labor force.

In Figure 3b, on the other hand, the indifference curve through d_0 is higher than the one at the point of tangency P_b . Thus, this person would decide to remain on welfare and not look for a job. This person is out of the labor force.

Now suppose that the welfare payment (while still less than $x_0 y_0$) increased to $x_0 d_1$. Clearly, the optimal choice of a person shown in figure 2a or 2b would not be affected by this change. Further, a person shown in figure 3b would have all the more reason to continue to stay out of the labor force and live on welfare. In figure 3c, however, we find a person, who would find that the consumption bundle at d_1 corresponding to the increased welfare payment is superior to the previous optimal bundle P_a , which was better than the bundle d_0 corresponding to the previous lower rate of welfare payment. If this person was already employed, (s)he would drop out of the labor force and decided to live on welfare. If the person was unemployed and searching for a job, the individual will drop out of the labor force and would stay on welfare permanently.

When an employed person quits, the vacant job would be filled by some one currently unemployed but looking for a job. However, as explained above, S_1 has remained unchanged while W_1 has declined (because some people have moved from W_1 to W_2). Hence, the probability that this job would take some person off welfare has become lower. Overall, the effect of an increase in welfare payment is to put more working age people on welfare. Other persons (children and elderly) dependent on these people would also become welfare dependent.

The Empirical Findings:

We specified the model:

$$CASE_i = \beta_0 + \beta_1 POP_i + \beta_2 EMP_i + \beta_3 PMT_i + \epsilon_i,$$

where

$CASE$ = number of AFDC payment recipients,

POP = population in year i or state i , "

EMP = number of persons employed,

PMT = average payment per recipient per month in year or state i .

The model was first estimated using annual time series data for the entire United States covering the years 1960-87. The resulting regression (corrected for first order autocorrelation) is reported in Table 1. The payment variable was deflated by the consumer price index to adjust for inflation.

The estimated regression corrected for a first order autocorrelation of 0.66 shows a reasonable goodness-of-fit and all the coefficients are both of the right sign and statistically significant. The coefficient of POP implies that for every 100 unit increase in population holding employment and other variables constant, total AFDC case load would increase by about 241 additional recipients. Similarly, 1000 additional jobs would reduce AFDC cases loads by 192 persons. For \$1 increase in real welfare payments per person per month total case loads would increase by 7,212 thousand people nationwide.

Separate regressions were also run with cross section data for the years 1987, 1988, and 1989. In each of these regression, the 50 states along with Washington DC were the units of observation. The year-specific regressions used welfare payments in current (rather than constant) dollars as the relevant explanatory variable. The results are reported in Tables 2-4. Several interesting points should be noted. First, the coefficient of employment in the cross section regressions is higher than what was found in the

time series regression. This agrees with the general view that cross section data reveal long run effects while short run effects are found from time series data. Second, the coefficient of EMP is smaller in absolute value in 1988 and 1989 than in 1987. Moreover, it is not quite so significant in the later years. It may be recalled that the unemployment rate was lower in 1987 than in 1988 or 1989. When U increases, its break down into S_1 and W_1 may change. If relatively more of the unemployed people are self-supporting, the probability that a vacant job is filled by a person previously on welfare becomes lower. Of course, when the data for 1988 and 1989 are pooled together, the coefficient of employment becomes significant although smaller in absolute value than in the 1987 regression.

The population variable also had the anticipated positive sign and was significant in every regression. The measured marginal effect of an increase in the population by 1,000 would be between 115 and 173 more persons on welfare (judging by the cross section regressions). The time series model implies 241 more persons on welfare.

Finally, all regressions show that as welfare payments rise, welfare dependence also rises. The estimated coefficient from cross section regressions range between 975 and 1386. The large coefficient value (7212) from the time series regression actually shows the magnitude of nation-wide increase and should, in fact, be scaled by a factor of 50 when comparing with the state-level effect measured from the cross section regressions.

Practical Implication

The Foxwood High Stakes Bingo and Casino envisages creating 9,500 new full-time jobs. The various regressions reported in this paper show that 1,000 new jobs would reduce AFDC dependence by somewhere between 131 and 260 persons. Payment per recipient per month in Connecticut was around \$200.00 in 1989. Even the low estimate would imply a reduction of \$2.986 millions in AFDC payment over a year. The actual saving would be even more if the current rates of payment are higher than the \$200.00 per person per month rate assumed in these calculations.

Finally, this study focussed only on AFDC payments. Changes in employment also affects other kinds on welfare payment like unemployment insurance, supplemental security income, food stamps and so on. When all these are accounted for the overall impact would be considerably greater in magnitude.

Table 1: Regression with Time Series Data (1960-87)

Dependent Variable: CASE

independent variable	coefficient	't' ratio
POP	0.2413	3.84
EMP	-0.1921	-2.14
PMT(real)	7212.3250	4.11
Intercept	-20380.5668	-7.39
ρ	0.6653	
R^2	0.8483	

Table 2: Regression with State-Level Cross Section Data (1987)
Dependent Variable: CASE

independent variable	coefficient	't' ratio
POP	0.1733	3.31
EMP	-0.2600	-2.29
PMT(current)	1385.97	3.77
Intercept	-196.557	-4.55
R^2	0.9176	

Table 3: Regression with State-Level Cross Section Data (1988)
 Dependent Variable: CASE

independent variable	coefficient	't' ratio
POP	0.1151	2.63
EMP	-0.1312	-1.42
PMT(current)	975.57	3.05
Intercept	-156.870	-4.07
R^2	0.9222	

Table 4: Regression with State-Level Cross Section Data (1989)
 Dependent Variable: CASE

independent variable	coefficient	't' ratio
POP	0.1435	2.79
EMP	-0.1914	-1.75
PMT(current)	995.116	3.30
Intercept	-159.435	-4.38
R^2	0.9322	

ble 5: Regression with State-Level Cross Section Data (1988-89)
Dependent Variable: CASE

independent variable	coefficient	't' ratio
POP	0.1260	3.95
EMP	-0.1544	-2.28
PMT(current)	986.599	4.63
Intercept	-157.542	-6.12
R^2	0.9272	

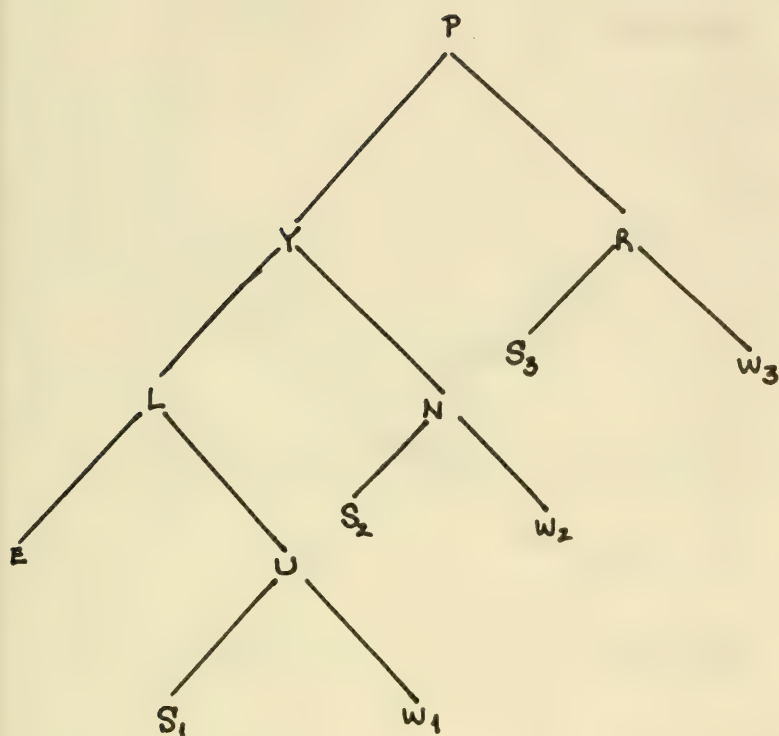


Fig 1.

POPULATION DISTRIBUTION

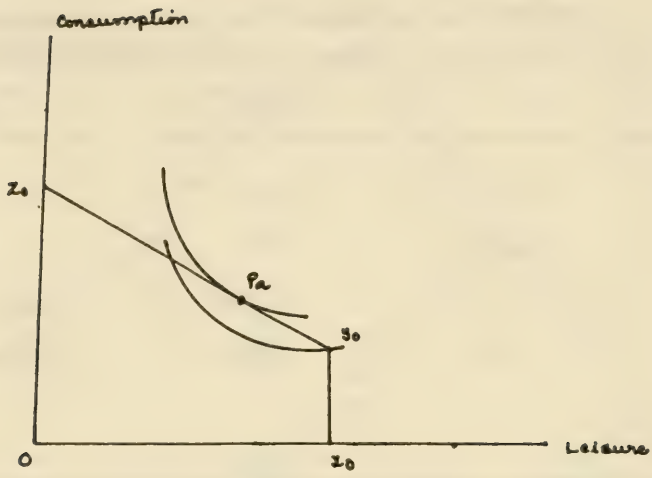


Figure 2a

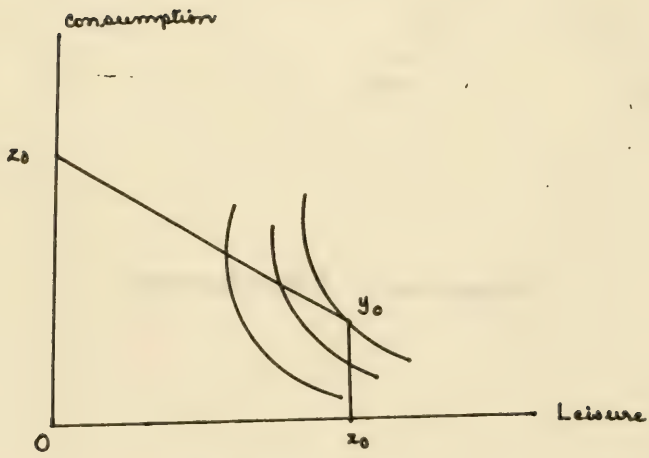


Figure 2b

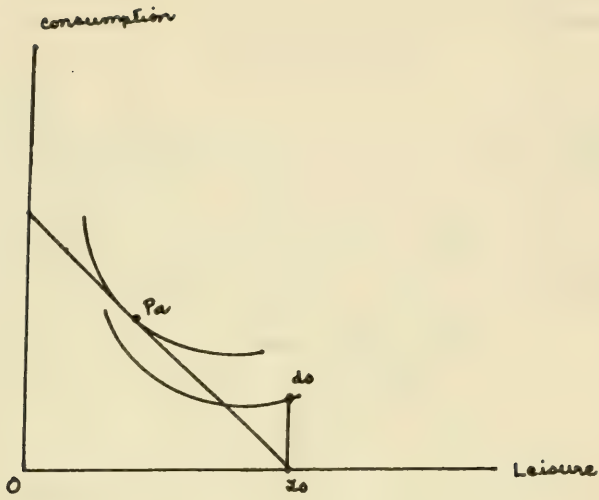


Figure 3a

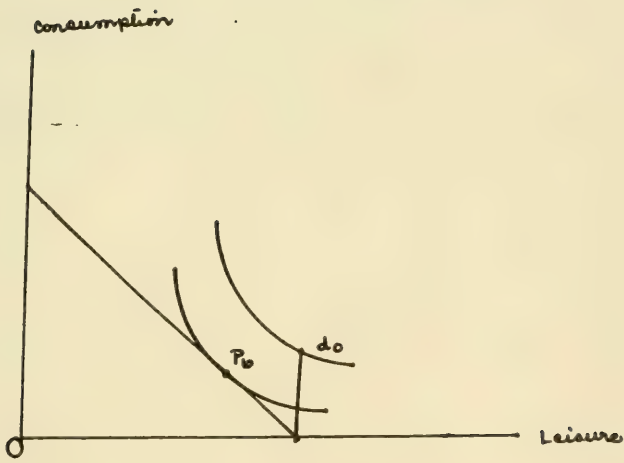


Figure 3b

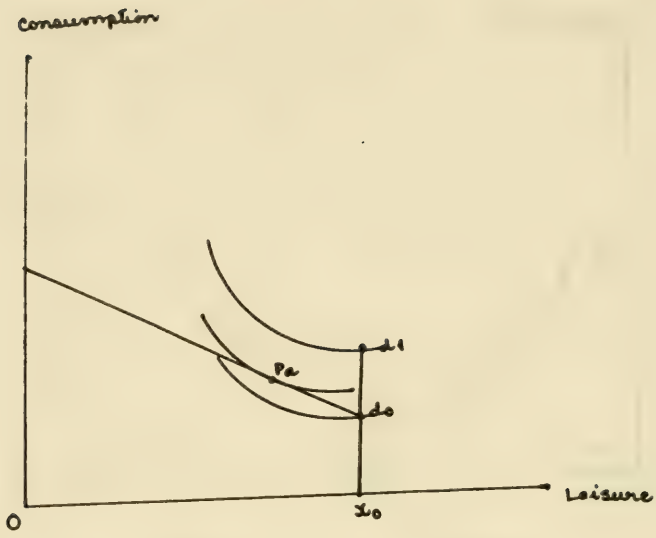


Figure 3c

BIOGRAPHIES OF PRINCIPALS

JOHN M. CLAPP
Biographical Sketch

John M. Clapp, Professor in the Department of Finance, University of Connecticut, teaches real estate market analysis and other courses related to real estate and finance. He started teaching real estate at the University of California at Los Angeles in 1974. He has worked with the Brookings Institution, The Lincoln Institute of Land Policy, the U.S. General Accounting Office, Citibank, The California Department of Savings & Loan, Liberty Savings & Loan, Peoples Bank and Society for Savings. His work for these organizations was on the location of office buildings, office market analysis, cycles in regional employment growth, the appraisal of special purpose properties, mortgage underwriting and the design of adjustable rate mortgages.

In 1987-88, Professor Clapp was director of a task force formed by the Office of Policy and Management, State of Connecticut. His team of seven professionals and two support persons evaluated Connecticut's system of property tax equalization across the 169 towns. The task force proposed and helped implement numerous options for executive and legislative changes in the design of tax equalization. As part of this process, Professor Clapp built and analyzed an extensive data base — including employment, population, housing, and real estate price indices — for each of the 169 towns in Connecticut. His continuing work on real estate price indices has been cited in the *New York Times*, *The Hartford Courant*, *The Commercial Register*, and other publications.

Professor Clapp has published extensively in the *Journal of Regional Science*, *The AREUEA Journal*, the *Journal of Urban Economics*, *The Quarterly Journal of Economics*, *The Journal of the American Statistical Association*, and other journals. He is on the editorial boards of the *AREUEA Journal*, *The Journal of Real Estate Finance and Economics* and the *Journal of Regional Science*. In 1987 he published the *Handbook for Real Estate Market Analysis* with Prentice Hall. He is a graduate of Harvard College (BA with high honors in Economics) and Columbia University (M. Phil. and Ph.D.). In 1993, he was selected as a fellow of the Homer Hoyt Institute, Weimer School for Advanced Studies.

BIOGRAPHICAL SKETCH

September 19, 1993

Dennis Heffley is a graduate of Stanford University (B.A.) and the University of California at Santa Barbara (M.A., Ph.D.). Since 1973, he has taught in the Department of Economics at the University of Connecticut, where he is a Professor of Economics. An active member of American Economic Association, Eastern Economic Association, Western Economic Association and the Regional Science Association, Professor Heffley's research has spanned a range of topics in applied microeconomics, especially in the fields of urban and regional economics and health economics. Much of this work has involved the use of multi-sector models to study specific policy-related questions. His recent research has focused on: the effects of zoning, rent control or other housing-related policies on the structure of urban areas; the problem of allocating public resources to infrastructure and human resource development; the problem of achieving an efficient market structure in health care; and the restructuring of health insurance to provide incentives for cost containment and healthier lifestyles. Professor Heffley's research has appeared in the *Journal of Urban Economics*, *Regional Science & Urban Economics*, *Journal of Regional Science*, *Papers in Regional Science*, *Journal of Real Estate Finance & Economics*, *Journal of Comparative Economics*, *Journal of Health Economics*, *Social Science & Medicine*, and *Econometrica*, among others.

September 1993

BIOGRAPHY

Subhash C. Ray has been Professor of Economics at the University of Connecticut since 1992. Before coming to Connecticut in 1982 as assistant professor, he was a Lecturer for one year at the University of California at Santa Barbara, following completion of his economics Ph.D. degree in 1980. Professor Ray had a full career in India before beginning his Ph.D. work at UCSB in 1977. He received his B.A. (with Honours in Economics) from Presidency College, Calcutta (1962). He earned an M.A. from Calcutta University in 1964, and then taught as Lecturer (equivalent to assistant professor in the U.S.) in economics at the University of Kalyani, West Bengal. In 1972, he took a leave to pursue a doctorate in management at the Indian Institute of Management, Calcutta, one of the top two management schools in India. Following completion of that degree in 1976, Professor Ray joined the Management Development Institute of Bharat Heavy Electricals Ltd., one of India's largest public-sector companies, where he taught management courses to executives and participated in the Executive Development Program.

While completing his Ph.D. work at UCSB, Dr. Ray taught courses in mathematical programming, time series analysis, and economic theory, at the graduate as well as the undergraduate level. He also participated in a major United Nations project on health care in Costa Rica and Guatemala, applying the then-newly-minted method of Data Envelopment Analysis, and in several projects on forecasting crime rates in California.

At Connecticut, Professor Ray teaches graduate courses in econometrics, microeconomic theory, and time series modelling. His primary research areas are time series analysis and the statistical measurement of production efficiency. He has published articles (inter alia) in Management Science, the Journal of Productivity Analysis, the European Journal of Operational Research, the American Journal of Agricultural Economics, the Journal of Money, Credit and Banking, the Journal of Forecasting,

SUBHASH C. RAY BIO.

-2-

the International Journal of Forecasting, and the Oxford Bulletin of Economics and Statistics. Dr. Ray has presented papers at numerous national and international conferences, including the World Econometric Congress (Barcelona, 1990), and the European Meetings of the Operational Research Society (Aachen, 1991, and Helsinki, 1992). He will give a paper at the forthcoming European Productivity Workshop at the Center for Operations Research and Economics (CORE) (Louvain, October 1993). Professor Ray has also collaborated on several economic-impact studies (of the University of Connecticut, the Sikorsky Memorial Airport, and the Foxwoods High Stakes Bingo & Casino), and in an econometric analysis of markets for municipal solid waste.

Jon Vilasuso received his BA degree in economics from Georgia State University in 1988 and a MA in economics at the University of Connecticut in 1990. He is currently a Phd Candidate in economics at the University of Connecticut. He is a member of Phi Kappa Phi and the Golden Key Honor societies. He has received numerous academic awards including the Abraham Ribicoff Award, the Mortar Board Award, and the Wall Street Journal Achievement Award in Economics.

He has worked as a consultant on several different projects. He has prepared an economic base analysis study for the proposed Sikorsky Airport expansion. Other consulting work includes the economic impact of the Lisbon Recycling Plant and computations of hedonic wages for expert testimony. He also completed work on the economic effects of product liability law on small businesses.

His research interests include macroeconomic policy, monetary economics, financial economics, and exchange rate determination. He is the author of "Comparing U.S. GNP Volatility Across Exchange Rate Regimes" which is forthcoming in the *Journal of Macroeconomics*. Current working papers include "Labor Market Heterogeneity and Unemployment Dynamics," "The Problem with Interim Employment," "The Agency and Transaction Cost Determinants of Corporate Finance," and "Temporal Aggregation, Systematic Sampling, and the Money-Output Relationship." He is active in professional associations and has been a presenter at the Eastern Economic Association Annual meeting and served as a discussant at the American Economic Association Annual meetings.

He has taught courses at the University of Connecticut and is currently a guest lecturer at Trinity College.

September 1993

BIOGRAPHY

Arthur W. Wright has been Professor of Economics at the University of Connecticut since 1979; he was Head of the Department from 1979 to 1989. Before Connecticut, he taught economics at Purdue University, the University of Massachusetts at Amherst, and Oberlin College. He has also held research and visiting positions at Yale University, the University of Michigan, and MIT. Dr. Wright's B.A. is from Haverford College, and his Ph.D. is from MIT. His main research and teaching interests are in industrial organization, market analysis, economic regulation, and law-and-economics. A major research focus from the 1960s through the 1980s was energy markets and policy (especially oil and gas), not only in the United States but also in Canada, the USSR, Europe, and Japan. Dr. Wright has also written in public finance (particularly on the percentage depletion allowance and foreign tax credits applied to energy producers), and since 1970 he has served on the Board of Directors of Tax Analysts, Washington, D.C., publishers of the weekly journal Tax Notes and other tax publications (print and electronic). His recent research has focused on product liability (with special attention to small business) and comparative discovery rules in state courts. His writings have appeared (inter alia) in the American Economic Review, the National Tax Journal, Land Economics, Growth and Change, the Energy Journal and the Journal of Products Liability, as well as in numerous book collections. Dr. Wright has received numerous fellowships and grants, and he has extensive consulting experience with a wide variety of clients,

including corporations, small businesses, labor organizations, governments, and attorneys. He has led an econometric study of municipal solid-waste markets, and also several economic-impact studies, for the University of Connecticut, Sikorsky Memorial Airport (Stratford, CT), and Foxwoods High Stakes Bingo & Casino (Ledyard, CT).

Mr. ABERCROMBIE. Lieutenant Colonel, did you have a commentary you would like to make?

Mr. ROOT. No, sir.

Mr. ABERCROMBIE. In conjunction with—you do not?

Mr. ROOT. There is one thing I would like to say, and that is with respect to some of the comments I heard earlier today. The Connecticut State Police do the background investigations for all prospective employees at the casino as well as all the vendors.

We take a great deal of time and put a lot of resources into those background investigations. We work very closely with the Department of Special Revenue and with the Tribal Gaming Commission.

To my knowledge, we have no serious organized crime problem at that casino, and as far as I am concerned we never will as long as we continue to operate in the cooperative arrangement that we currently have. Thank you.

Mr. ABERCROMBIE. Mr. Brown, you can comment as you will, Colonel, the testimony or perhaps more accurately the commentary that was made by Mr. Trump brought Connecticut into the conversation at several points. You have addressed it, in some respects, but in others, I would like to question you a little bit further.

Mr. BROWN. Please.

Mr. ABERCROMBIE. The indication was that there was no distribution of funds, that it was the money that was made or profits that were made were simply divided among a small number of individuals. I take it from your testimony that is not accurate?

Mr. BROWN. That is totally false. That is totally false.

Mr. ABERCROMBIE. Could you describe the regulation or the law or administrative rules under which money that is net profit is distributed.

Mr. BROWN. Net profit is maintained by the enterprise and distributed in accordance with the instructions of the tribal council, which is the governing body of the tribe. Up until this point, the majority, probably 80 percent of the net profit has been used by the tribe to pay for the earlier construction and to pay for the continued expansion, which has been going on since we started construction in June of 1991. So, probably, 75 percent of the profits have gone back into the development of the facility and paying off the construction costs. By the time we finish our expansion—

Mr. ABERCROMBIE. Those construction companies, those contracts are all issued to contractors in the State of Connecticut and adjoining States and communities?

Mr. BROWN. Oh, that is correct, that is correct. By the time we finish our expansion, which will be completed by November 15th of this year, we will have \$300 million into the ground. That is five gaming areas, two hotels, an entertainment complex, three restaurants, a health club, a showroom, a cinematropolis ride, and we will probably be able to pay off that development during fiscal year 1995.

Mr. ABERCROMBIE. Is your casino and its operations organized, union organized?

Mr. BROWN. It is not.

Mr. ABERCROMBIE. Is there an organizational attempt being made?

Mr. BROWN. There has been.

Mr. ABERCROMBIE. Has there been a vote yet?

Mr. BROWN. The tribe has not cooperated.

Mr. ABERCROMBIE. I beg your pardon?

Mr. BROWN. The tribe has not cooperated and will not allow solicitation for union support upon the reservation.

Mr. ABERCROMBIE. So there is no union activity that would be allowed?

Mr. BROWN. There is an employee group council, which is a group of 558 employee representatives, that are elected by the employees, that deal with management on issues of benefits and salaries and discipline.

Mr. ABERCROMBIE. What is the arrangement, the legal arrangement with respect to the distribution of profits? Is that, could it be distributed to individual members of the tribe?

Mr. BROWN. It could at times, if the tribe chose to do so.

Mr. ABERCROMBIE. Would those funds, if they were distributed, then be taxable?

Mr. BROWN. Yes.

Mr. ABERCROMBIE. Were taxes paid on the construction, that is to say, appropriate excise taxes, et cetera?

Mr. BROWN. No, it was not, because the tribe took the profits from the gaming enterprise and paid it to the contractors who had built the building or paid off existing loans. We started with a \$60 million loan.

Mr. ABERCROMBIE. What I meant by taxes is if there were, say, excise taxes in the State of Connecticut with respect to projects or something of that nature, they would be paid; would they not?

Mr. BROWN. I don't know. We have a tribal attorney with me. We pay the taxes we collect from the State of Connecticut in the operation of the facility, liquor taxes, excise taxes.

Mr. ABERCROMBIE. The question has to do with most contracts when they are executed, taxes are paid to the State or to the counties or to whoever it might be. I presume that the companies receiving the contracts paid all the appropriate taxes?

Mr. BROWN. The companies paid all the appropriate taxes; that is correct.

Mr. ABERCROMBIE. Yes, the tribal entity is a501(c)(3).

Mr. BROWN. Oh, yes, it is.

Mr. ABERCROMBIE. I am saying, even the companies receiving the contracts don't receive any of those benefits, they are private contractors?

Mr. BROWN. Oh, no, they pay tax on anything that we give them in payment for their services, goods and services.

Mr. ABERCROMBIE. Has there ever been a question raised as to whether or not under the terms and conditions of the gaming law that the tribe has a right not to cooperate? I am not quite sure of your answer with respect to unionization of employees.

Mr. BROWN. The tribe has taken the position that the NLRB does not apply on the reservation.

Mr. ABERCROMBIE. I see. If this law was amended to include the NLRB had jurisdiction over reservations, I presume that—

Mr. BROWN. We would comply in every respect.

Mr. ABERCROMBIE. You will comply in every respect, okay.

Colonel, allegations were made here earlier today that there would be an explosion of scandal, that there was no way to avoid that. I don't recall specifically whether an allegation was made with respect to what would happen in Connecticut, but I wonder if you could amplify a little bit more on your position with respect to the likelihood of organized criminal activity being able to take place at this or any other facility with which the State police has authority and jurisdiction.

Mr. ROOT. Well, I can only speak for within the State of Connecticut. But I think that within the State of Connecticut, the way we are structured and the way we are organized at the existing casino, and the way we would organize at any future casinos were they to exist, I don't believe that is a reality. I think that we have very good controls with the process that we currently use, and I think that it would keep us clean.

Mr. ABERCROMBIE. Have you ever had any opposition to any requirement that you have suggested to Mr. Brown or his associates or to the tribe?

Mr. ROOT. No, sir. We have had a very cooperative agreement and arrangement with them.

Mr. ABERCROMBIE. They abide by the rules that you set with respect to how employees are hired or what kind of background checks you are going to do?

Mr. ROOT. Well, the background checks were predetermined at the time that the compact was put together, and we have established formats that we follow on various levels of employment at the casino. We are in total agreement there, along with the Department of Special Revenue.

Mr. ABERCROMBIE. Have you or anyone associated with you, to your knowledge, ever experienced any pressure or had any discussions that you thought would compromise you in any way with respect to law enforcement as you saw your duty?

Mr. ROOT. You mean concerning the casino?

Mr. ABERCROMBIE. Yes.

Mr. ROOT. No, none whatsoever.

Mr. ABERCROMBIE. Have you ever suggested changes in the way you felt was necessary to conduct proper law enforcement that were rejected?

Mr. ROOT. Well, I was involved at the beginning when we were putting the operation together, so yes, I did make suggestions at that time, not so much changes, but the way we should go. And since that time, changes have been suggested and implemented by the various members of the staff that actually served at the casino.

Mr. ABERCROMBIE. Are you entirely satisfied as a law officer that the terms and conditions under which you operate are in the best interests of the citizens of Connecticut with respect to law enforcement and the prevention of organized crime or individual crime, for that matter, taking place in the casinos?

Mr. ROOT. Yes, sir, I am.

Mr. ABERCROMBIE. Okay. Thank you.

Mr. ABERCROMBIE. Mr. Johnson, and Chief Powell. You are the caboose on this train.

Chief POWELL. The last car.

Mr. ABERCROMBIE. Some mention was made of Minnesota also in previous testimony, in a somewhat pejorative vein, I think is a fair characterization. I don't know how you heard the testimony, but that is the way I heard it or read it.

It may not have been stated, but I have the advantage of having all the testimony in front of me. So I will ask you to, if you will, summarize your testimony. In the course of it, if you or Chief Powell would like to comment on any previous testimony, please feel free to do so.

STATEMENT OF F. WILLIAM JOHNSON

Mr. JOHNSON. Thank you, Mr. Chairman.

I thank you for this opportunity to discuss security issues at Indian casinos. We welcome your interest. We welcome your inquiries, as security is crucial to maintaining tribal government gaming as a powerful tool for self-sufficiency that it has become.

I am Bill Johnson, President of Little Six, Inc., which is a tribally chartered corporation of the Mdewakanton Sioux community. Little Six operates the Mystic Lake entertainment complex which recently has become the largest Indian-owned, Indian-operated and Indian-managed casino in the country.

We are proud to say that our entire board of directors and our senior management team are Native American. I am an enrolled member of the Turtle Mountain Band of Chippewa Indians in North Dakota, and I have been CEO at Little Six for the last three years. Prior to joining Little Six, I had a 25-year career in commercial banking, serving as a division vice president at some of the larger banks in the upper Midwest and also as president of a couple of community banks.

At Little Six, we take security surveillance and internal controls very seriously. Our goal is to protect both the public who are our customers and the Mdewakanton Dakota community who are our stockholders. We feel we are, one, if not the most technologically advanced casino in the world, you will find that our security and our surveillance systems match or exceed any system that you will find in Nevada or Atlantic City.

I would like to give you a few specific examples of steps we have taken to protect public interest and tribal interest in three areas: security, surveillance and internal controls.

I will limit my comments because of the interest of time, but ask that they be entered in the record.

Mr. ABERCROMBIE. It will be.

Thank you.

Mr. JOHNSON. First, security. Our security director works very closely with local and State law enforcement and with the security directors of the 15 other Indian-owned casinos in Minnesota to exchange information and cooperate in prosecution. In fact, just recently, all 15 security directors are aware of a robbery incident at an Indian casino on the Leech Lake Reservation. Because of the strong security programs they had in place, the Leech Lake security people have a full tape accounting of this incident and feel that it will undoubtedly lead to a successful and very successful apprehension and conviction.

At Mystic Lake, 50 security guards are located strategically throughout the floor at all times. They are centrally dispatched through our video monitoring and radio system to immediately respond to any problem. We guard against employee theft and are currently testing a new electronic system that embeds magnetic elements in chips so that an employee leaving the blackjack pit area with chips would set off a detector.

In addition, we work very hard to hire people of integrity. We cooperate with the State and the Federal gaming commissions on background checks. In fact, we have sophisticated electronic fingerprint reading and transmission equipment that sends fingerprints instantly to Washington. Not even the Minnesota State Government has that capability yet.

The second critical area is surveillance. We have a state-of-the-art electronic surveillance system tied into our electronic card access system that allows us to monitor events, movement, and transactions from all over the casino through a central control room.

There is not a better system in any casino. Our surveillance cameras can pick up the serial number of a dollar bill and can instantly print a still picture of anything the camera sees, to be used as evidence or in apprehending a suspect.

The cameras are mounted on what we call "speed domes" and can rotate 360 degrees, fast enough to track a running person. They are faster and are able to focus in greater detail than cameras in most commercial casinos in Nevada and Atlantic City.

Our employees know that their actions are being constantly monitored and that knowledge is the best deterrent in the world. Cameras monitor all cash transactions and monitors in the central control room are all connected to VCRs that tape the transactions. All security areas, those where money chips or tokens are handled or financial records are handled, are controlled by card access.

Another crucial part of our system is the on-line monitoring of all slot machines. We can watch the machines as they are played to make sure they are not altered electronically or magnetically. If either the coin slot or drop drawer is open, a warning signal is instantly sent to central control. The preprogrammed overhead surveillance cameras can focus on that machine at the touch of a button so we can see what the problem is and who is causing it.

Another safeguard is our system of internal controls. All transactions are monitored and audited. We have a casino recap professional and a full internal audit department. Our procedures were reviewed by a former Nevada gaming commissioner, and we are audited every year by the independent national CPA firm of Grant Thornton. We voluntarily adhere to the a cash transaction policy Title 31 of the Federal Bank Secrecy Act and report all cash transactions above \$10,000 to the Federal Government.

In addition, there are several ways we avoid problems that other commercial casinos are open to. We do not serve alcohol in our casino. We do not serve alcohol in our restaurants. We do not extend credit. And we do not give away airplane trips, hotel rooms, or any of the customary gifts that are used to attract people.

Our regular external audits are reported to our own board of directors, who are members of the Mdewakanton Dakota community in the State of Minnesota. Our own board is probably the best safe-

guard against any problems. They will not let any individual or group of individual put this precious resource in jeopardy through illegal or unethical behavior.

Along with the internal controls of our tribal corporation, we also have three levels of regulatory controls that have to be complied with: Tribal, State, and Federal. Combined with that, the requirement that all corporation board members be tribal members, this makes it almost impossible for anyone from the outside to infiltrate the governing body of our company.

This idea of organized crime running around Indian casinos is absolutely nonsense. We take pride in the people who run our departments and our operations. A number of them came to us directly from some of the major commercial casinos of New Jersey and Nevada. A couple of them worked for Donald Trump. Our director of surveillance, our director of table games, and our senior vice president for casino operations all have received and continue to maintain—

Mr. ABERCROMBIE. Excuse me, Mr. Johnson. The people who worked for Mr. Trump, did they look like Indians?

Mr. JOHNSON. I will reserve that comment until I get hold of them.

One of the things that Mr. Trump has said and the Nevada people or the New Jersey people talk about is the value of their senior or their key employee license. All of the people that we have hired that come from that regulatory environment have that license and annually renew that license and continue to be licensed, and those are some of the key people we have working at our casino.

We believe that we are a positive force in our neighborhood. We have brought thousands of jobs to the Twin Cities metropolitan area and have brought millions of people and millions of dollars to the State and to our local economy. I look with pride at what the tribe does with their children. We do similar things. And something that we don't know here is that the Twin Cities of Minneapolis and St. Paul is the second largest—has the second largest urban Indian population in the United States.

At Mystic Lake, we subsidize a bus service that drives down to the urban area and picks up Indian people so they can come to work for us. Some of them don't have a car. Some of them have a hard time getting a car. But that urban population now has an opportunity and they are coming to work at Mystic Lake casino via subsidized bus service.

Indian gaming does good things to the Mdewakanton community. It does good things for the urban population of Indian people that need to be looked at as well.

I must say in closing that I and the Mdewakanton and Dakota community for whom I work deeply resent the baseless accusations about organized crime that have been so irresponsibly strewn about through the media by opponents of tribal government gaming. It is the worst kind of McCarthyism and it demeans anybody who purveys it. It is wrong, it is ludicrous, and it is based on unjustified jealousy.

We cherish this resource that has been given to us, one of the few resources that the Europeans have left us. We will protect it.

We will protect it against criminals and we will protect it against demagogues.

I tell you in closing one last statement, I just—my friend Mikey Brown to the right, there is nothing wrong with Indian people making money but there is nothing wrong with Indian people becoming millionaires, if Mr. Trump's mathematics are right. Those people aren't millionaires. But yet he can go on and claim millions of dollars for himself. I think it is jealousy, not organized crime. Thank you.

Mr. ABERCROMBIE. Thank you very much.

[Prepared statement of Mr. Johnson follows:]



House Committee on Natural Resources
Native American Affairs Subcommittee
Bill Johnson Extended testimony
Little Six, Inc.
Oct. 5, 1993

Chairman Richardson, Rep. Thomas, distinguished
Members of the committee,

I thank you for this opportunity to discuss security at Indian casinos. We welcome your interest and your inquiries, as this is a subject that is crucial to maintaining tribal government gaming as the powerful tool for self-sufficiency that it has become.

I am Bill Johnson, the chief operating officer at Little Six, Inc., the tribal corporation of the Mdewakanton Dakota community just south of Minneapolis. Little Six operates Mystic Lake and Dakota Country casino, the largest Indian-owned and Indian-operated casino in the country. Our board of directors and our senior management team are all Indian people. Before joining Little Six, I had a career in commercial banking in Minneapolis.

We take security, surveillance and internal controls very seriously at Little Six. Our goal is to protect both the public who are our customers and the Mdewakanton community members who are our stockholders. We know that the integrity of running a clean and secure operation is our number-one asset and that we must protect it.

We are the most technologically advanced casino in the world. Our security and surveillance systems match or exceed any systems you will find in New Jersey or Nevada. Our systems at Mystic Lake and Dakota Country casino are so advanced that we regularly have executives from other casinos visit to see our systems. In the last two months we've had casino CEOs from Las Vegas and the Bahamas review our systems at Mystic Lake.

Many other Indian tribes from around the country have also visited our operation to learn more about security issues. Tribes are sharing information and helping one another strengthen security. I would like to give you specific examples of steps we have taken to protect public interest and tribal interest in three areas -- security, surveillance and internal controls.

First, security. Our director of security has set up an association of security directors from all of Minnesota's 16 Indian casinos who meet monthly and exchange tips, share security techniques and warn each other of attempted scams. This helps all casinos be forewarned and prepared. In addition, our security director works closely with local and state law enforcement. We meet at least monthly with our local police department and cooperate fully in prosecuting any wrongdoing that happens at our casino. We work together to develop contingency plans to deal with major problems such as bomb threats or armed robberies. We share information with the state about techniques criminals may use to try to defraud the casino.

We have 50 security guards on the floor at all times. They help deter criminal activity by their presence, and are centrally dispatched through our video monitor and radio system to immediately respond to any problem.

We also have regular patrols of our parking lot, to deter simple theft and more sophisticated electronic devices for cheating on the games.

In all areas where money is handled in front of customers, we have panic alarms -- just like in a bank -- that can be hit to alert security if a threat is made or a robbery attempted.

We also guard rigorously against employee theft. We are testing a new electronic system right now that embeds magnetic elements in our chips so that an employee leaving the blackjack pit area with chips would set off a detector. We train all our employees to use standard procedure in money handling so that any variation from those standards perpetrated to palm or pocket money or chips is immediately detected by our pit bosses, security people or our overhead surveillance cameras.

In addition, we work very hard to hire people of integrity who will not cause problems. We cooperate with the state and federal gaming commissions on background checks -- in fact we have sophisticated electronic fingerprint reading and transmission equipment that sends fingerprints instantly to Washington. Not even Minnesota's state government has that capability yet. We fingerprint and do background checks on all employees, voluntarily going beyond our compact requirements to fingerprint and check key employees and senior executives. And we do credit checks on applicants to make sure we don't hire someone with unusual financial need who might succumb to temptation.

The second critical area is surveillance. We have a state-of-the-art electronic surveillance system tied into our electronic card-access system that allows us to monitor events, movement and transactions all over the casino from a central control room. There is not a better system in any casino in the world. We have travelled to Europe, Canada and all over the United States to see other systems, and we have adapted the very best of what is available.

Our surveillance cameras can pick up the serial number on a dollar bill and can instantly print a still picture of anything the camera sees to be used as evidence or in apprehending a suspect. The cameras are mounted in what are called "speed domes" and can rotate 360 degrees fast enough to track a person running. These are faster and able to focus on greater detail than the cameras in most commercial casinos in Las Vegas or New Jersey.

Our employees know that their actions are being constantly monitored, and that knowledge is the best deterrent in the world. Our goal is to keep problems from occurring rather than fix them after they've happened, and this system gives us that capability.

All areas of the casino are monitored -- except the restrooms. We have 600 cameras covering our facility, and we can see in detail what is happening anywhere in the casino.

Cameras monitor dealers handing out chips, changing cash into chips, dealing cards. Cameras monitor all cash transactions, including at counters where chips are cashed in or checks cashed. And monitors in the central control room are all connected to VCRs that tape the transactions. Tapes are kept for three weeks so that any problems that turn up in audits or counts can be traced back to the source.

All security areas -- those where money, chips or tokens are handled or where financial records are handled -- are controlled by card access. No single person can get into our vault or counting areas alone -- not even our CEO. Even our CEO would need to be accompanied by a supervisor of a counting team to gain access to a counting room. Each person's electronic access card is programmed to allow access only to the areas his or her job requires. And each time a card is used, it is logged on the computer. So if someone unauthorized tries to get into a secure room, the system sends an alarm to the central control room and automatically records who tried to get in and when.

We even have cameras in the executive office area that monitor traffic automatically during the day. After hours, if a door to my office is opened, for example, a camera automatically turns on and a signal is sent to the central control room so they can determine who is in the office and what that person is doing.

Doors in critical areas automatically send an alarm to the central control room if they are held open longer than 30 seconds, preventing anyone from propping doors open to remove material.

Another crucial part of our surveillance system is the on-line monitoring of all slot machines. Each slot machine at our casinos is electronically connected to our computer system. That allows us to do several things at a remote distance. We can watch the machines as they are played to make sure they are not being altered electronically or magnetically to pay off at abnormal rates. We can see instantly if any machine is being tampered with, by an employee or a customer. If either the coin slot or the drop drawer is opened, a warning signal is instantly sent to our central control. The pre-programmed overhead surveillance cameras can focus on that machine at the touch of a button and we can see what the problem is and who is causing it.

The slot machines themselves are set and tested by Gaming Laboratories Incorporated to verify payout percentages and jackpot levels. The machines are tested in the casino so there is no opportunity to alter them after they've been set.

To avoid the human tendency to give a friend a break, we don't allow our surveillance teams to fraternize with our other employees. They cannot ride our employee buses to the casino, and they eat and take their breaks in separate areas.

Another safeguard is our system of internal controls. All transactions with cash, chips, tokens or bank funds are carefully monitored and audited. When we set up our system, we borrowed from the best of Nevada and New Jersey's systems and improved upon them. Our procedures were reviewed by a former Nevada gaming commissioner and are audited every year by the independent firm of Grant Thornton.

From the smallest to the largest transactions, counts are made and double-checked and records kept. At all shift changes of a dealer or a cashier, for example, balances are counted, just as in a bank. And any electronic transfers of bank funds are accompanied by a transmittal receipt so there is a paper trail. At the end of every business day, our bank faxes us a list of all transactions that have been made on our accounts, so that nothing can be hidden. We have several layers of procedural checks and balances so nothing can slip through.

We voluntarily adhere to the cash transaction policy Title 31 of the federal Bank Secrecy Act. We report any cash transactions above \$10,000 to the Federal government. This is one of several places where we go above and beyond the regulations we are required to follow.

We have surprise cash counts two or three times a week, where we pick a cash drawer unannounced and balance the drawer. This lets people know that at any time they might be subject to an internal audit.

When cash is taken from slot machines, which happens once a day, a counting team is accompanied by security guards to transport the coins or tokens. The totals from each machine are checked by teams from three separate departments to assure accuracy and avoid collusion.

When the coins are counted, it is done in a secure room to which only counting and security personnel have access. The coins are weighed as they come into the counting room, and then weighed again after they've been counted and wrapped in plastic tubes to make sure no money is diverted.

Our regular external audits are reported to our own board of directors -- who are members of the Mdewakanton Dakota community -- and to the state of Minnesota. Our own board is perhaps our best safeguard against any problems. They oversee our operation for the good of the tribe. They recognize the value gaming provides to our community, and they are fiercely protective of that value. They would not let any individual or group of individuals put that resource in jeopardy through illegal or unethical behavior. They oversee what we do very closely, and we feel a great responsibility to them.

Along with the internal controls of our tribal corporation, we also have three levels of regulatory controls -- that of tribal, state and federal governments. Combined with the requirement that all corporation board members be tribal members, this makes it impossible for anyone from the outside to infiltrate the governing body of our company. This idea of organized crime running Indian casinos is absolute nonsense.

There are several ways we avoid problems that commercial casinos are open to. First, we do not serve alcohol in our casino nor do we let people consume alcohol anywhere on the casino grounds, including the parking lot. This keeps people more level-headed and keeps many problems from happening. And we don't extend credit, which opens many casinos to problems from people who lose more than they can afford. And we don't give away airplane trips, hotel rooms or any of the customary gifts used to attract people. Our customers come to our casino on their own to have an enjoyable time.

In addition, we are very careful about vendor relations. All contracts are put out for bid and reviewed by our board, not just by the executive team. This makes cozy and compromising relationships impossible and protects the interests of our community. And we are very careful about delivery of goods and material. All deliveries must be made through our loading dock. That means anything that might come in through unusual channels would immediately stand out and invite scrutiny. And at the loading dock, deliveries will only be accepted with a signed purchase order, again negating the opportunity for underhanded deals. And our conflict-of-interest policy prohibits employees from selling supplies to the casino, avoiding more problems. These steps may seem simple, but casino experience shows that vendors are the entry point for a great deal of trouble.

We take pride in the people who run our departments and our operations. Many of them came to us directly from some of the major commercial casinos in New Jersey and Nevada. Several of them worked for Donald Trump. Our director of surveillance, our director of black jack, and our senior vice president for casino operations all have key employee licenses from Atlantic City. That means they have met rigorous background and training requirements.

At the same time we are borrowing the best expertise from around the country, we are training our own tribal members to take key roles in the operation, from managing floor shifts to directing departments. We want to gain experience ourselves so that we achieve the self-sufficiency that IGRA envisioned. And that is happening, with tribal members and other native americans running Little Six.

We believe we are a positive force in our neighborhood. We have brought thousands of jobs to the Twin Cities metropolitan area, and have brought millions of people to the state and to our local area. But our friends in the Prior Lake Police Department will tell you that there has been no increase in crime because of our casino. That is important to us -- we want to be good neighbors and to help our local economy.

I must say in closing that I and the Mdewakanton Dakota community for whom I work deeply resent the baseless accusations about organized crime that have been so irresponsibly strewn about through the media by the opponents of tribal government gaming. It is the worst kind of McCarthyism and it demeans anybody who purveys it. It is wrong and it is ludicrous and it is based on unjustified jealousy.

We cherish this resource, one of the few resources that the Europeans have left us. We will protect it -- against criminals, and against demagogues.

Thank you, Chairman Richardson.

Mr. ABERCROMBIE. Chief Powell, you are chief of the Prior Lake Police Department. I take it that is not one of the great metropolitan police departments in this Nation?

Mr. POWELL. Only if they have 16 members like ours.

Mr. ABERCROMBIE. Well, you heard Mr. Trump's discussion of what he thinks about the ability of police departments and law enforcement individuals and groups across the country, let alone in Prior Lake. Do you have anything you would like to convey to him if he manages to get a tape of this hearing?

Mr. POWELL. I do, Mr. Chairman. Thank you. I appreciate the opportunity to round out this picture.

I am the second line of defense after the casino itself and we handle about 630 calls each year at the casino. And for anyone that is interested, most of those calls are service calls such as medicals or where somebody is locked out of a car or something along this nature.

Many of those calls are calls from the casino requesting help when they have underage people or people under 18. And there is no law in Minnesota; however, we go out and look for false identification, this sort of thing, in discouraging these people from gambling.

We ran about 50 felonies last year, which I think is a rather remarkable figure considering right now we have up to 24,000 people a day that go through this institution. We also have 5,000 employees, and as Bill has said, a lot of these folks come from the inner cities and are not without problems and take a lot of time and patience to work with.

I am extremely proud of the casino. I am extremely proud of the fact that any place in that building I can walk without having any trouble at any time to view what I like. I have never been censured from where I go there. Our officers are treated well. When I need money to increase my police budget to do a better job when it makes a difference for the reservation or makes a difference with our city, I am given those funds.

I think that in conjunction with the job that the casino does in terms of preventing crime and doing a good job of protecting it, I think this is verified in our figures. We solve about 50 percent more crime on the reservation because of the technology than we do in the white community that is right next to it. That is a rather astounding figure when we are solving about 50 percent of our crimes out there. And, again, these are not crimes like prostitution which we have not had in the second or first, depending upon how you want to describe that casino in terms of size. We don't have one case of prostitution that has been documented. We don't have assaults that amount to more than a handful and these are usually strange situations.

We have crime of credit cards, we have crime of fraud and other things like this. And our casino has gone to the extent of inviting the FBI and inviting other Federal people, inviting people from Foxwoods from the East and bringing them all together largely at the expense of our casino in order to get law enforcement in one spot to discuss how we can do a better job and what our common problems are.

They are truly civic leaders not only within our community but have a tremendous sense in just a few years of civic responsibility. When I first started as a police chief 20 years ago, they were burning copper wire in order to recover the copper. They have educated themselves. They have come along and they have been generous with the community that hosts them.

I am very proud to be able to testify today on the good things that they have done and the support that they give the police. With our task forces that are made up of FBI, with local people as well as State people, there has never been a word breathed to me—and believe me, I question them on a regular basis—about organized crime. There is not one verified case or one verified whisper to me that the Mystic Lake Dakota casino has organized crime. I think that it is truly pointed out. If you want a good picture of what our casino is like, if you were to go out there on Thursday, and that is when our local Rotary Club, which is comprised of businessmen within the area and businessmen from other communities, come out and we all have lunch at the Rotary there.

I thank you very much for the opportunity to round out this picture and tell you that it is a safe place to be and well run. Thank you.

Mr. ABERCROMBIE. Thank you very much, Chief.

Mr. Johnson, do all the employees, including those of Indian ancestry pay taxes on the incomes that they receive?

Mr. JOHNSON. All employees pay income taxes on the money that is paid to them as salary and wages.

Mr. ABERCROMBIE. What—do you have a nonprofit entity which receives the funds into the casino?

Mr. JOHNSON. I guess I would—it would be best to say as succinct, it is like a subchapter "S" corporation. Rather than annual distributions, however, we have monthly distributions and those funds are turned over to the tribal government where they are then used in infrastructure: sewer, water system, housing, welfare housing programs. We turn the profits over to the tribal government monthly.

Mr. ABERCROMBIE. So that the individuals are not profiting as such, other than by such jobs as they may get under any other kind of a nonprofit—

Mr. JOHNSON. As in any corporation, they will receive dividends—would receive what you say can be looked upon as dividends.

Mr. ABERCROMBIE. They pay taxes on those dividends, do they not?

Mr. JOHNSON. Yes, they do. They pay taxes on any money they receive from the company.

Mr. ABERCROMBIE. Because the impression has been left, as you may have discerned in the earlier discussion, despite some attempts by some of us on the committee to point out that there is a difference between distribution of income to a tribal entity that engages in activities such as building infrastructure, schools, providing subsidized buses and so on, and individuals who may receive funds upon which taxes are collected.

Mr. JOHNSON. Yes. That is the picture that is being painted, is that individuals don't pay taxes. They do pay taxes on any money

they receive. The tribal government is like any city government, any State government. They use those funds to work for their individual needs.

Mr. ABERCROMBIE. What kind of a compact—that is probably beyond the scope of this particular hearing but you have a compact arrangement, do you not?

Mr. JOHNSON. We have two compact arrangements with the State of Minnesota. One for slot machines, one for blackjack.

Mr. ABERCROMBIE. Would you have any objection or, Mr. Brown, you may chime in here, too, if you will, do you expect that there would be any objection from legitimate enterprises not necessarily even on the scale that you maintain because some might be considerably smaller, would there be any objection to regulatory bodies requiring surveillance such as audits, et cetera, the kind of thing that Mr. Palmer and others from the IRS indicated they would recommend at this stage of the development of the Gaming Act?

Mr. BROWN. I don't believe so, Mr. Chairman. We spent a portion of our time working with other tribes that have small gaming facilities helping them set up surveillance department internal controls and cage operations security systems. We voluntarily comply with all the CTR requirements and would encourage other tribes to do so.

Mr. ABERCROMBIE. Would it not be to the advantage, Mr. Brown and Mr. Johnson, of any tribe which sets up an operation under the Gaming Act to have full cooperation with the IRS, with the Department of Justice, et cetera, to establish credibility in the public mind?

Mr. BROWN. Yes.

Mr. ABERCROMBIE. Mr. Johnson.

Mr. JOHNSON. I think both tribes would be open to that. I know I mention in my testimony that we already voluntarily complete the requirements of the Bank Secrecy Act.

Mr. ABERCROMBIE. If that was made mandatory, would that be—would there be an objection?

Mr. WAPATO. Mr. Chairman, may I respond to that?

Mr. ABERCROMBIE. Certainly.

Mr. WAPATO. As I mentioned earlier, NGA, the National Gaming Association, has 95 tribes that are members. We have been hosting a number of meetings in conjunction, which is called the Senators Inouye-McCain process.

Mr. ABERCROMBIE. I am familiar with the first part.

Mr. WAPATO. Good. Good choice, too. But within that process, within those meetings, the tribes have indicated that they would comply with the Bank Secrecy Act provisions as they apply to any other casino in America. They would oppose any specific amendment which is Indian specific.

Mr. ABERCROMBIE. I quite understand.

Mr. WAPATO. The regulations apply to casinos not in the act but in the regulations of the act. And something along that line would be, we believe, appropriate for Indian casinos.

I think what is being suggested by Mr. Trump, Mr. Torricelli is something beyond that and we would oppose that.

Mr. ABERCROMBIE. That is because I think there is an argument there as to whether or not sovereignty comes into play, and from

my point of view, speaking as someone who represents, in part, people who have had their trust relationship denied, at least by some political entities, this would be unacceptable. At least from my point of view, and I believe from a constitutional point of view the existence of a trust relationship is such that the United States as a governmental entity dealing with sovereign nations with respect to Native Americans and Native Hawaiians is entirely in order; in fact, long overdue. The question seems to have arisen principally in relation to the regulation of gambling as opposed to whether or not it should be—it should take place in the first place.

Mr. WAPATO. I would like to reiterate something that Senator McCain, I believe, spoke to this morning a little bit but in the interesting colloquies that we heard in between, it might have gotten lost.

In that process of dialogue between the Governors and the Attorneys General and the tribes, regulation is not a sticking point. We spend a lot of time in a whole bunch of areas. The regulation area, the organized crime allegation area are not hot topics that we can resolve. We are at the last part of that process and we are engaged in the scope of gaming issue. We believe that the others are at a stage where a resolution that would be acceptable to the three principal parties can be achieved. The scope of gaming issue, of course, is Congressman Calvert's issue also.

The point I want to make is it is not crime. It is not organized crime. It is not regulation that is the overriding issue on those discussions. Those things have been discussed and we know ways to resolve those at the State, at the Governors' level and State Attorneys General and tribal level.

And so while this committee may have heard a lot of rhetoric here today, we would hope they would take into consideration that what Mr. Mikey Brown and Mr. Johnson have testified to, those things can be handled appropriately in the compacting process and the tweaking of regulations or acts that needs to be done is very minimal to make things like the Bank Secrecy Act applicable to tribes and those type of things.

Mr. ABERCROMBIE. Very good. Well, this has been a long day but it has been a very informative one. I am very appreciative, particularly of all of you on the last panel for your kindness and courtesy to us by staying with us today, and I wanted to say that this last panel has been particularly valuable to us in helping to establish a perspective on the entire day's activities.

With that, I will say mahalo, thank you very much, and aloha. [Whereupon, at 3:28 p.m., the subcommittee was adjourned.]

APPENDIX

OCTOBER 5, 1993

ADDITIONAL MATERIAL SUBMITTED FOR THE HEARING RECORD

DONALD M. PAYNE
10TH DISTRICT, NEW JERSEY

COMMITTEES
EDUCATION AND LABOR
ELEMENTARY SECONDARY
AND VOCATIONAL EDUCATION
LABOR MANAGEMENT RELATIONS
SELECT EDUCATION
AND CIVIL RIGHTS

FOREIGN AFFAIRS
AFRICA

GOVERNMENT OPERATIONS
HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS



Congress of the United States
House of Representatives
Washington, DC 20515-3010

WASHINGTON OFFICE
417 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3010
(202) 225-3436

DISTRICT OFFICE
FEDERAL BUILDING
970 BROAD STREET
ROOM 1435 B
NEWARK, NJ 07102
(201) 645-3213

Statement of Support for the Ramapough Mountain Indian Tribe
Congressman Donald M. Payne

Mr. Chairman, thank you for providing me the opportunity to submit this statement in support of the Ramapough Mountain Indian Tribe's petition for federal recognition now before the Bureau of Indian Affairs (BIA) into the record for the Subcommittee on Native American Affairs hearing held, October 5, 1993. I have recently reviewed the case of the Ramapough Mountain Indian Tribe's petition and I wanted to share my views with you at this time.

I believe that the civil rights of the Ramapough Mountain Indians would be violated if the determination to grant or deny their petition was based on anything other than the petition before the Bureau of Indian Affairs. That petition has a detailed history of the Tribe going back to the 1700's, which is backed up with eight volumes of data. Through nearly 600 linear feet of genealogical charts the Tribe traces its Indian ancestry back to the mid 1700's in the New York / New Jersey area. The state legislators of New York and New Jersey adopted resolutions, in 1982 and 1980 respectively, to recognize the Ramapough Mountain Indian Tribe and urged the federal government to follow their lead. It is my hope that this situation will soon be rectified and the Ramapough Mountain Indians will be able to continue their traditions and their lives to preserve their Native American ancestry.

I along with Benjamin Gilman and a bipartisan group of Members of Congress sent a letter to Secretary Babbitt to carefully review this matter which has been pending since 1979. As you know in 1978 the Department of Education recognized the Ramapough Mountain Indian Tribe under the Indian Education Act. I have also had the opportunity to debate and discuss this issue in great detail with its opponents, and I have not heard any concrete evidence to support the claims against the stated goals of the Tribe. I hope that we will not stand in the way of their petition.

Statement of Support for the Ramapough Mountain Indian Tribe
by Congressman Benjamin A. Gilman

Mr. Chairman, thank you for providing me the opportunity to submit this statement for the record regarding the hearing held before the Subcommittee on October 5, 1993. As Representative of the 20th Congressional District in New York, I represent nearly one-third of the members of the Ramapough Mountain Indian Tribe. These members live in Rockland County, New York. The Chief of the Tribe, Ronald Van Dunk, also resides in my district in Hillburn, New York.

The Tribe has lived according to the traditions of its Munsee Indian ancestors in the N.Y.- N.J. border area for more than 200 years. Both the States of New York and New Jersey have officially recognized the Ramapoughs as an Indian Tribe. Since 1979, the Tribe has worked diligently to assemble the required documentation for Federal Recognition. This documentation includes historic and genealogical evidence showing Indian ancestry and ties to the aboriginal Munsee Indian Tribe.

For a decade, I have worked closely with the Tribe in its ongoing efforts to be Federally Recognized by the Bureau of Indian Affairs. I have been impressed with their commitment and sincerity to the petition process. In all of my dealings with the Tribe over the last decade, their actions have been of the highest ethical and moral standards.

Page 2

Accordingly, I strongly support the Ramapough Mountain Indian Tribe's efforts in obtaining Federal Recognition and will continue to support any efforts to preserve their Indian heritage.

A handwritten signature in black ink, appearing to read 'Ben Gilman', with a stylized flourish extending to the right.

BENJAMIN A. GILMAN
Member of Congress

Seminole Tribe of Florida

COUNCIL

JAMES E. BILLIE
Chairman

FRED SMITH
Vice-Chairman

PRISCILLA SAYEN
Secretary-Treasurer

REPRESENTATIVES

DAVID R. CYPRESS
Big Cypress

JACK SMITH, JR.
Brighton

MAX OSCEOLA, JR.
Hollywood

NANCY MOTLOW
Immokalee (n.v.)

October 13, 1993

The Honorable Bill Richardson
Chairman
Subcommittee on Native American Affairs
Committee on Natural Resources
1522 Longworth Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

At an October 5, 1993, oversight hearing on the Indian Gaming Regulatory Act before your Subcommittee, Congressman Robert Torricelli (D-NJ) and retired FBI special agent Richard Elroy made undocumented allegations about the gaming operations conducted on Seminole reservations. I respectfully request that this letter responding to those allegations be included as part of the official hearing record.

Let me begin by saying that the Seminole Tribe of Florida is committed to making every effort to assure that gaming activities conducted on our tribal lands are legal and proper. We have a vested interest in assuring that the economic benefits of these gaming activities accrue to the benefit of the Seminole people -- not to the benefit of any criminal element.

Income from our bingo operations will account for more than 75 percent of all Seminole Tribal income in FY 1994. In turn, gaming proceeds will fund more than 75 percent of the Seminole Tribe's expenditures in FY 1994. Gaming income pays for tribal member services, education programs, administration of the tribal government, tribal parks and recreational facilities and services, and economic development on the reservations that otherwise would not exist.

None of the allegations raised by Mr. Torricelli or Mr. Elroy has ever been pursued by the FBI, by an other agency of the federal government or by the Special Committee on Investigations of the Senate Select Committee on Indian Affairs that initially heard these charges more than four years ago. It is obvious from this inactivity that such allegations were found to be of insufficient merit to warrant pursuit. We know that they are completely without substance.

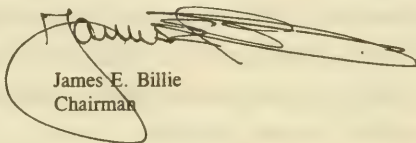
To: The Honorable Bill Richardson
October 13, 1993

Page 2

Let me emphasize that we, as a sovereign national whose ability to house, feed and educate our people depends in large part on our gaming income, have considerably stronger motivation to keep our operations free from corruption than do commercial gaming establishments. We strongly urge that any individual with information concerning corruption or links to organized crime within our gaming operations make that information immediately available to the FBI. We pledge to cooperate fully with any legitimate federal investigation of such allegations.

We will be happy to provide additional information should you require it, and to answer any questions you may have concerning this issue. We appreciate the opportunity to present this information for the record.

Sho Naa Bisha,



James E. Billie
Chairman

JEB/cac



Ramapough Mountain Indians, Inc.

"A Tribal Organization"

Hillburn • Mahwah • Ringwood

Mailing Address: P.O. Box 478, Mahwah, N.J. 07430-0478
(201) 529-1171 or (201) 529-1057

Tribal
Chief - Ronald Van Dunk
Secretary - Linda Powell

Statement of Chief Ronald "Redbone" Van Dunk Chief of the Ramapough Mountain Indians

I am Ronald "Redbone" Van Dunk, Chief of the Ramapough Mountain Indians. I must respond to the attacks against my people by Donald Trump and his allies before this Subcommittee. My tribe consists of 3,000 Native Americans living on the New York/New Jersey border. We are recognized by both the states of New York and New Jersey.

In 1979, almost ten years before the Indian Gaming Act was passed, my Tribe began the process with the Bureau of Indian Affairs seeking Federal Recognition. Federal Recognition will ensure that the heritage of my people will be preserved. As a Federally Recognized Tribe, we will benefit from the Indian education and economic programs of the Department of the Interior.

However, because under the law a Federally Recognized Tribe has the right to engage in gaming, Mr. Trump and his friends have attempted to have the Department of Interior deny our petition for Federal Recognition.

As I see it, if Mr. Trump and his Congressional supporters believe that the gaming laws need to be changed then they have every right to try to make those changes. However, their efforts

to deny my people their heritage by trying to block our recognition is misplaced.

On three separate occasions Mr. Toricelli signed letters to the Department of Interior on behalf of my people's long fight for recognition. I am greatly saddened by his sudden change in position and his recent letters opposing our petition.

The BIA recognition process is very clear. It is based on specific criteria which includes historical existence as a Tribe; a distinct Indian community; political autonomy and traceable Indian ancestry.


In a recent letter written to the Secretary of the Interior, Mrs. Roukema sought to have our petition denied on irrelevant issues. In addition, many of her statements were just plain wrong. First, she claimed that our "only interest in federal recognition" is to establish "casino gambling in Bergen County." I point out that we began the Federal Recognition process in 1979, ten years before the Indian Gaming Act was passed. She further notes that representatives of the township of Mahwah are unanimous in their opposition. Again, not so. Councilwoman Maia Wojciechowska of Mahwah has sent Congresswoman Roukema a strong letter directly challenging this false statement.

Congresswoman Roukema also says that our petition is "dubious." Yet, this petition has been cited by experts as one of the best documented ever. We have submitted eight volumes of evidence and over 600 feet of genealogy tracing our Indian ancestry back to the mid-1700's. The Rockland Journal-News has recently called for our recognition noting that our historical ties to the

aboriginal Munsee are well known.

Finally, she says that our petition for Federal Recognition should be denied because "casino gambling in the immediate New York metropolitan area could have a negative impact on the gambling industry in Atlantic City." Not only is Mrs. Roukema jumping to conclusions, but this issue has nothing to do with the recognition process, which is described in great detail in BIA regulations.

Unfortunately, the New Jersey Law Journal article placed into the record by Congresswoman Roukema feeds off of the irresponsible conduct of the Trump forces. I recently submitted a letter to that publication in response to this outrageous and misleading article. I would now like to enter that response into the record of this proceeding.


Chief Ronald "Redbone" Van Dunk
October 14, 1993

New Jersey Law Journal

VOL. CXXIV, No. 4

MONDAY, OCTOBER 2, 1993

ISSN 0191-5511

ESTABLISHED 1873

Page 50-53

VOICE OF THE BAR

Ramapoensis Respond

Dear Editor:

As Chief of the Ramapo Mountain Indian Tribe, I must respond to the false impressions left by Tim O'Brien's article in the *Law Journal* of Sept. 13, 1993, entitled "Was Mob Behind Tribe's Casino?" [135 N.J.L.J. 149]. The simple truth is that our Tribe never has been and never will be involved in any effort to avoid or violate the laws of the United States. We also do not own or operate a casino. Our overwhelming attention is now and has been for the past 14 years on achieving a Federally Recognized status as an American Indian Tribe that will restore our dignity and our rightful place in American history. Our children deserve no less. Our elders have already been denied this honor.

Mr. O'Brien does not claim that a single member of our over 2,500-member tribe is involved in any wrongdoing. Rather, in a misleading and dramatic story, he attempts to tie the good and decent people of the Ramapo Mountain Tribe indirectly to an organized crime person through a series of associations three times removed from the Tribe.

Also, our Tribe hired George L. Schneider as our attorney over two years ago, partially because of his fine reputation in law enforcement and government circles in New Jersey. With Mr. Schneider's ten years experience as the Essex County Prosecutor and as the Chief Trial Prosecutor for the New Jersey Attorney General, we feel most confident that he can and will protect us from being influenced by anyone who would be undesirable or in any way

improper to deal with in any of our recognition and business efforts.

In 1979, long before gaming on Indian reservations was an issue to Donald Trump or anybody else, our Tribe applied to the Bureau of Indian Affairs to be officially recognized by the United States Government. Since that time, we have worked long and hard on achieving that result. Federal Recognition will entitle our people to benefit in the way of jobs, housing, education and economic development. The legislatures of our home states of New Jersey and New York have officially recognized us and have called on the Federal Government to follow their lead. We simply seek fairness to have the U.S. government judge our petition on its merits. The time for that recognition is long overdue.

Chief Ronald "Redbone" Van Duak
Ramapo Mountain Indian Tribe
Mahwah



Congress of the United States
House of Representatives
 Washington, DC 20515-3009

WASHINGTON OFFICE
 2100 REPUBLIC HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515-3009
 202-225-6861
 DISTRICT OFFICES
 COLUMBIA PLAZA
 20 MANS STREET
 BUCKINGHAM, NJ 07801
 201-666-1111
 140 PATH PLAZA
 JERSEY CITY, NJ 07306
 201-222-4100

May 4, 1993

The Honorable Bruce Babbitt
 Secretary
 U.S. Department of Interior
 1849 C Street, N.W.
 Washington, D.C. 20240

Dear Mr. Secretary:

I have signed letters to your Department several times in the past two years to express support for the Ramapough Mountain Indian Tribe's petition for federal recognition.

This petition is currently under "Active Consideration" by the Bureau of Indian Affairs (BIA). Under BIA regulations, proposed findings could be issued as early as July, 1993.

I have been reassured that the BIA's federal recognition process is completely separate from all issues involving gaming on Indian reservations. I would like to make it clear at this time that I strongly oppose the establishment of gaming operations on any lands controlled by the Ramapough Tribe. If it is discovered that one of the Ramapough Tribe's objectives in seeking federal recognition is to gain the ability to manage casinos or establish gaming of any type, I would immediately and unconditionally withdraw my support for federal recognition for the Ramapough Tribe.

Thank you for your consideration of this matter.

Sincerely,

ROBERT G. TORRICELLI
 Member of Congress

RGT:acc

MARGE ROUKEMA
1718 DISTRICT NEW JERSEY

WASHINGTON OFFICE
1340 MARYLAND AVENUE, SUITE 200
WASHINGTON, DC 20004-2000
PHONE 202-638-1000

NEW JERSEY OFFICE
1300 EAST BROADWAY, SUITE 200
NEWARK, NJ 07102
PHONE 973-647-2000

61 SPRING STREET
NEWTON, NJ 07840
PHONE 973-770-0000



Congress of the United States
House of Representatives
Washington, DC 20515-3005
June 24, 1993

COMMITTEES
BANKING, FINANCE AND
HUMAN AFFAIRS COMMITTEE
HUMAN RESOURCES
HUMAN AND ECONOMIC DEVELOPMENT
HUMAN RESOURCES DEVELOPMENT
HUMAN AND ECONOMIC
HUMAN RESOURCES
EDUCATION AND LABOR COMMITTEE
HUMAN RESOURCES
HUMAN RESOURCES DEVELOPMENT
HUMAN AND ECONOMIC
HUMAN RESOURCES
HUMAN RESOURCES
SELECT COMMITTEE ON HUNTER

The Honorable Bruce Babbitt
Secretary
U.S. Department of the Interior
1849 C Street NW
Washington, DC 20240

Dear Secretary Babbitt:

The Ramapoough "Indians" of Mahwah, New Jersey, recently filed an application with the Bureau of Indian Affairs (BIA) for federal recognition as a Native American Indian tribe. I want you to know, I am adamantly opposed to federal recognition of the Ramapoough group, for the following reasons:

1. The Ramapoough peoples' only interest in federal recognition is to circumvent local, state, and federal jurisdiction for the purpose of establishing casino gambling in Bergen County.
2. Representatives of the Township of Mahwah are unanimous in their opposition to federal recognition of the Ramapoough people.
3. The Ramapoough people have a dubious claim to recognition as Native Americans. In fact, the Ramapooughs are filing the current petition because their initial effort lacked sufficient evidence to support their claim as a native people.
4. Casino gambling in the immediate New York metropolitan area could have a negative impact on the gaming industry in Atlantic City.

Federal recognition as a Native American Indian tribe is a serious matter. Native American recognition and benefits should only be granted to peoples with legitimate claim to it, and to groups that have a genuine interest in preserving their culture and heritage--NOT for the purpose of exploiting the Indian Gaming Regulatory Act.

Thank you for taking a few minutes to consider this issue of importance to the citizens of my Congressional district. If you have further questions regarding this matter please feel free to contact me directly, or have a member of your staff contact Bruce Butler in my Washington office.

Sincerely,

Marge Roukema

MARGE ROUKEMA
Member of Congress

MSR:hb



Township of Mahwah

Municipal Offices
300B Route 17 South
Mahwah, NJ 07430

FAX: 201-529-0061

Please Mail To:
P.O. Box 733

from the desk of Councilwoman Maia Wojciechowska

Marce Roukema
House of Representatives
Washington D.C. 20515

7/26/93

Dear Congresswoman,

Your July 19, 1993 letter to Secretary of Interior Bruce Babbitt states, among other mendacities:

"2. Representatives of the Township of Mahwah are unanimous in their opposition to federal recognition of the Ramapoough people."

Would you please provide me with whatever proof you might have to substantiate this statement and lacking proof would you provide Mr. Babbitt with reasons why you, Torricelli, Andrews, Zieser, Saxton and Hughes signed your names to such a patent lie? Our Council President will be polling other members of Mahwah's governing body and make public what you so inaccurately portrayed to the Secretary of Interior. Perhaps one of our resident, who believes that his lack of stature (physical and intellectual) has something to do with an Indian curse, is your source of information about the Ramapoough people, their application, intentions, history, tradition, etc.?

You and those others who signed that infamous letter owe an apology to the Ramapoough people, to us, who serve on the Mahwah Council and to Secretary Babbitt.

Sincerely yours,

Maia Wojciechowska.

cc: Secretary Babbitt, Council, Ramapoough Council, media

LETTERS

Ramapough Indian tribe's rights

To the Editor:

I am writing in response to the recent attacks on the Ramapough Mountain Indian Tribe's petition for federal acknowledgment.

Congresswoman Marge Roukema (R-NJ) and Donald Trump have actually gone so far as to challenge the tribe's Indian heritage.

As a Certified Genealogist working in New York and New Jersey with over twenty years professional experience, I am writing to tell you their skepticism is unfounded.

Recently, building on genealogical work begun in the 1970s, I submitted a certified report to the Bureau of Indian Affairs which traces the Indian ancestry of the modern-day Ramapough Tribe to the mid-1700s.

Land records, censuses, tax lists, death and marriage certificates, and many other documents supplement historical evidence showing the tribe has occupied the Ramapough region as a distinct Indian community during the entire period.

The Ramapough Indian bloodlines can be traced to thousands of descendants of the aboriginal Munsee Tribe who occupied the Ramapough region for thousands of years before the first Europeans settled in the New World.

Unable to share the land peacefully with the original inhabitants, the Europeans bought, and in some cases confiscated, the valuable property in the region in an attempt to drive the Indians away.

To a large extent, the white settlers were successful in

Write to us

We welcome letters on topics of current interest. Please, no open letters, poetry or copies of letters sent to other media. Letters should be no more than 200 words (shorter is better).

We reserve the right to edit for clarity, potential libel, and good taste.

Provide name, address, and telephone number for verification and sign the letter.

Send letters to:

Letters to the Editor

Rockland Journal-News

200 North Route 306

West Nyack, N.Y. 10994

Fax: 518-2477

that the Federal Government should follow what the states of New Jersey and New York have already done and recognize the Ramapough Mountain Indian Tribe.

Roger D. Joslyn
New Windsor

A12

Wednesday
July 21, 1993
Rockland
Journal-News

destroying the Indian civilization throughout eastern America. Mass movements of Indians took place and reservations out west were established by the Federal Government.

It is recorded, however, that not all east coast Indians abandoned their homelands. One such hardy band of aboriginal Munsee retreated into the wilderness of the Ramapough Mountains where they continued to live off the land.

Today this Indian group is known as the Ramapough Mountain Indian Tribe.

The Indian ancestry of the Ramapough Tribe cannot be seriously questioned.

My findings are supported by four volumes of documented evidence and over 600 linear feet of genealogical charts.

There should be no question

PO Box 710
Alderson, WV 24910
September 24, 1993

Ada Deer
Assistant Secretary - Indian Affairs
Department of the Interior
18th & C Streets NW
Washington, D.C. 20240

Dear Madam Secretary:

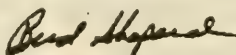
I am writing this letter in support of federal acknowledgment of the Ramapough Indian Tribe of New York and New Jersey. I am the former Branch Chief for the Branch of Acknowledgment and Research and was the primary author of the acknowledgment regulations, 25 C.F.R. 83.

I have had the opportunity to review the Ramapough petition and supporting documentation. Based on this review, I strongly believe the tribe should be granted federal recognition. After 14 years of exhaustive research, the Ramapough Tribe has submitted one of the most thoroughly documented cases for federal acknowledgment I have had the pleasure to read.

The tribe has unquestionably demonstrated its Indian ancestry through historical and genealogical evidence and has developed evidence that specifically demonstrates every individual member of the tribe has Ramsee ancestry. Further, the Ramapoughs have clearly demonstrated a cohesive self-governing community that has existed for over 200 years. I have personally visited the Ramapough community and talked with many tribal members. It is impossible to be acquainted with the group for any length of time and not conclude that they are entitled to federal acknowledgment as an Indian tribe under any reasonable interpretation of the existing criteria.

I wish you continued good luck with your work as Assistant Secretary.

Sincerely,



Bud Shapard

Noting history

Rockland has stake in Indian recognition

If the Ramapough Mountain Indians achieve federal recognition, the ghosts of their long-gone ancestors among the Munsee tribe may well murmur with thanks from the historic sandstone caves in the Monsey Glen.

We believe the recognition is overdue. Not only will it qualify the 3,000-member Ramapoughs access to federal funds for jobs, greater educational opportunity and small business growth, it will set in historical stone the realization that once the tribe lived originally as Munsee Indians in the Rockland area.

The Munsees occupied the Rockland/Bergen region, including the historic Monsey Glen off Route 59, for thousands of years before the first Europeans settled in the New World.

Many of the original tribes in the Northeast were driven westward by the settlers, but most of the Ramapough Indians

remained, heading into the wilderness of the Ramapo Mountains while the white man took over the better land of the lower woods and fields.

In order to qualify for recognition by the federal Bureau of Indian Affairs, the Ramapoughs and Chief Ronald Van Dunk of Hillburn have had to offer hundreds of documents, oral history and a detailed historical account that demonstrates community continuity. It isn't always a successful process, but Van Dunk and his tribe, which has 300 members living in Hillburn, are cautiously optimistic. A decision is expected in November.

We hope the Ramapoughs are recognized. Those of us in Rockland who are close to the county's history know full well the accounts of the Munsees and the Ramapoughs. To recognize them officially would be to properly note their place in not only the history of this nation and Rockland, but in their own history as well.

Thursday
September 9, 1993
Rockland
Journal-News

**LORBER, SCHNEIDER,
NUZZI, VICHNESS & BILINKAS**
ATTORNEYS AT LAW

310 PASSAIC AVE., FAIRFIELD, N.J. 07004
(201) 575-1400 FAX 575-4010

CHARLES S. LORBER
GEORGE L. SCHNEIDER†
VINCENT J. NUZZI†
PAUL J. VICHNESS
EDWARD J. BILINKAS*†
BRIAN W. MASON

PATRICK P. TOSCANO, JR.‡
EILEEN M. EGAN
GERARD V. ROSS
MICHAEL R. CARLUCCI
RICHARD COPPA*

IRVING VICHNESS (1912-1987)

* CERTIFIED CRIMINAL TRIAL ATTORNEY
† MEMBER NJ AND NY BAR
* MEMBER NJ AND PA BAR
‡ MEMBER NJ AND DC BAR

MORRIS COUNTY OFFICE
390-ROUTE #10 - SOUTH BLDG.
RANDOLPH, N.J. 07869
(201) 366-9100 FAX 366-9896
RESPOND TO:
☒ FAIRFIELD
☐ RANDOLPH

Statement of George L. Schneider
Counsel to the
Ramapough Mountain Indian Tribe

I am legal counsel to the Ramapough Mountain Indian Tribe. I submit this statement in response to the article written by Tim O'Brien for the September 13, 1993 edition of the New Jersey Law Journal, entitled "Was Mob behind Tribe's Casino?", and placed into the record of this proceeding by Congresswoman Marge Roukema.

The O'Brien article is factually inaccurate and grossly misleading. I have spent ten years in law enforcement as the former Essex County Prosecutor and as Chief Trial Attorney for the New Jersey Attorney General in the Division of Criminal Justice. I have extensive experience in the prosecution of organized crime and am very sensitive to that element's efforts to infiltrate legitimate businesses. I can assure you there is absolutely no organized crime influence in any phase whatsoever of the Ramapough Mountain Indian business affairs. Furthermore, there is no "Tribe's Casino".

Using "McCarthyism" tactics, the Law Journal has sensationalized a story about one Bob Frank whom it refers to as a "friend" of the Ramapough Mountain Indian Tribe. According to the Law Journal, Frank is a "longtime associate" of another person, totally unknown to the tribe. The Law Journal then states that this second unknown person was associated, over seven years ago, with yet a third person who is an organized crime figure. I can report to this Sub-Committee, unequivocally, that this third person is also completely unknown to the Tribe. He has never had any connection directly or indirectly with the Ramapough Mountain Indian Tribe or any of its members in any way, personal or business.

Congresswoman Roukema and others have also charged that the only reason the tribe seeks Federal Recognition is to operate a casino operation in Bergen County. However, it should be noted for the record that the Tribe began its efforts for Federal Recognition in 1979, almost ten years before the Indian Gaming Act was passed.

The recognition procedure is very complex and extremely demanding. The preparation of a petition is time consuming, costly and requires experts in many fields, including genealogy, anthropology and historical research. It is not unusual for a Tribe to take ten years or more to complete the process.

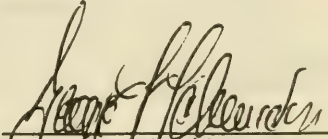
In the early 1980's, the Tribe worked with a professional to undertake preliminary research and to seek a Federal grant. That grant award would have funded the research necessary to meet the

requirements laid out in the formal recognition process. This grant, unfortunately, did not materialize. As a consequence, the Tribe needed to raise money from Indian activities and from private funding sources to support its recognition efforts.

In 1985, Bob Frank, along with several others, offered assistance to the Ramapough Mountain Indian Tribe in its efforts to gain Federal Recognition from the Bureau of Indian Affairs. After deliberation and debate by the Tribal counsel, this assistance from Mr. Frank was finally accepted. As I have stated before, the other persons named in the Law Journal article were not part of Mr. Frank's group and not part of this effort. Indeed, Mr. Frank and his group were ineffective and the Tribe's relationship with Mr. Frank's group was formally terminated two years ago. Today, the Ramapough Mountain Indian Tribe considers Mr. Frank to be no more than one of the many persons and organizations that have offered assistance over the years. Neither he nor anyone else should be considered to be "waiting in the wings" or "ready to come home" in the event the Tribe is recognized as was reported in the Law Journal article.

The tribal members are good and decent people, who detest organized crime every bit as much as any law abiding citizens including congressman Torricelli and Congresswoman Roukema. Using my experience in the criminal justice system and my personal first hand knowledge of the organized crime personnel and structure, I have worked with the tribal counsel to ensure that all outside funding sources are free of any criminal element and I will continue to do so.

The tribe's overwhelming goal, as it has been for over 14 years, is to achieve a Federally Recognized status to restore its rightful place in history.



George L. Schneider, Esq.
October 14, 1993

O'CONNOR & HANNAN

ATTORNEYS AT LAW

SUITE 800
1919 PENNSYLVANIA AVENUE N.W.
WASHINGTON, DC 20006 3483

(202) 887-1400

TELEX 89 7420

FAX (202) 466 2198

WAYNE M. ZELL
WRITER'S DIRECT DIAL
(202) 887-1469

MINNEAPOLIS OFFICE
8800 105 CENTER STREET
RD. SOUTH - EIGHTH STREET
MINNEAPOLIS, MN 55402-2254
TEL: 341-1800
FAX: 1612-3431-0556

MADRID OFFICE
1A BUNGARDA 8-31
28023 MADRID, SPAIN
TEL: 341-575-0044 & 357-225
FAX: 01-341-577-0789

This letter is intended to refute the claims of certain critics who have alleged that, unlike State-conducted gaming activities, gaming operations conducted on Indian tribal lands escape Federal taxation. The law clearly contradicts these claims.

1. Indian Tribal Governments Are Treated As States for Certain Federal Tax Purposes.

Prior to 1983, the Internal Revenue Service ruled that Indian tribes are not taxable entities.¹ The ruling further provided that tribal income not otherwise exempt from federal income tax was includable in the gross income of an Indian tribal member when distributed or constructively received by that individual.

In 1983, the United States Congress passed tax legislation providing that, for specific purposes under the Internal Revenue Code (the "Code"), Indian tribal governments are to be treated the same as States or similar to States.² The 1983 legislation further provided that a subdivision of an Indian tribal government is to be treated as a political subdivision of a State (i.e., and therefore treated essentially the same as the States themselves) only if the Treasury Department determines, in consultation with the Interior Department, that the subdivision of the Indian tribal government was delegated the right to exercise one or more of the sovereign powers of the Indian tribal government. It is not necessary for a whole range of sovereign powers to be delegated to be treated as a political subdivision of a State; it is sufficient if at least one sovereign power (e.g., police power) has been delegated.

1/ Rev. Rul. 67-284, 1967-2 C.B. 55.

2/ Pub.L. 97-473, Title II, §202(a), 96 Stat. 2608.
I.R.C. §7871.

The reason for this legislative change was that many Indian tribal governments already exercised sovereign powers. This fact was recognized by the United States in various treaties with certain tribes. Moreover, Indian tribal governments increasingly sought funds with which they could assist their people by stimulating tribal economies and by providing governmental services. The 1983 legislation was enacted to facilitate efforts of Indian tribal governments that exercised such sovereign powers.

Under the 1983 legislation, most federal excise taxes do not apply to articles sold for the exclusive use of Indian tribal governments. An identical rule applies to the States and their political subdivisions. As noted below, however, withholding and excise taxes imposed on gaming and wagering activities do apply to the Indian tribal governments. The legislation also provides that Indian tribal governments are to be treated generally the same as States for purposes of the tax-exempt bond interest provisions, subject to significant restrictions; the deduction for taxes under Code Section 164; the determination of whether contributions or transfers to or for the use of a tribal government are deductible as charitable contributions under Code Sections 170, 2055, 2106 and 2522; and for certain other purposes. The legislation originally was scheduled to terminate after December 31, 1984, but was extended and made permanent in the Deficit Reduction Act of 1984.³

2. Indian Gaming Operations Are Subject To The Same Federal Tax Provisions As State Gaming Operations.

In 1987, the U.S. Supreme Court ruled that Indian tribes may engage in gaming on tribal lands to promote tribal self-sufficiency and economic development.⁴ In 1988, Congress enacted the Indian Gaming Regulatory Act ("IGRA") to provide a statutory basis for the operation of gaming by Indian tribes as a means of promoting tribal economic development, self-sufficiency, and strong tribal governments.⁵ Congress established an independent federal regulatory authority for gaming on Indian lands and a

^{3/} Pub. L. 98-369, Sec. 1065, July 18, 1984, 98 Stat. 847, 1048. Further amendments were made to the legislation in the Tax Reform Act of 1986 and the Revenue Act of 1987.

^{4/} California v. Kabazon Band of Mission Indians, 480 U.S. 202 (1987).

^{5/} 25 U.S.C. §2702(1); Pub.L. 100-497, §3, Oct. 17, 1988, 102 Stat. 2467.

National Indian Gaming Commission to address congressional concerns regarding gaming and to protect such gaming as a means of generating tribal revenue.⁶

Under the IGRA, Code provisions concerning the reporting and withholding of taxes on winnings of gaming or wagering operations apply to Indian gaming operations governed by the IGRA.⁷ These provisions apply to the same extent and in the same manner as they apply to State-conducted gaming and wagering activities.

Specifically, the IGRA expressly provides that the reporting and withholding provisions applicable to Indian tribal governments include Code Sections 1441, 3402(q), 6041 and 6050I as well as the excise tax provisions of Chapter 35 of the Code.⁸ Code Section 1441 generally imposes withholding obligations on any person (including officers and employees of the United States or any State) having the control, receipt, custody, disposal or payment of certain items of income, including dividends, rent, salaries, wages, remunerations, compensations, annuities, profits or gains (e.g., gambling winnings), of any nonresident alien and certain foreign partnerships. Code Section 3402(q) provides that the United States, the States and their political subdivisions are required to withhold income tax at a rate of 28% from any gambling or wagering winnings specifically subject to the withholding provisions. Code Section 6050I requires any person engaged in a trade or business to report the receipt of more than \$10,000 cash in a single transaction. Casinos with gross revenues in excess of \$1 million dollars are defined as financial institutions and must report currency transactions under the Bank Secrecy Act and implementing regulations rather than under Code Section 6050I.⁹ Finally, any person engaged in the business of accepting a wager is liable for excise taxes imposed under Chapter 35 of the Internal Revenue Code (Code Section 4401 et seq.). The excise tax applies to Indian and non-Indian gaming operators alike, but does not apply to parimutuel enterprises, coin-operated devices and State-conducted lotteries.¹⁰

6/ 25 U.S.C. §2702(3).

7/ 25 U.S.C. §2719(d)(1).

8/ 25 U.S.C. §2719(d)(1).

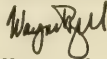
9/ 31 C.F.R. 103.11(i)(7), 103.22(a)(2) and 103.37. Casinos are not required to file duplicative information under Code Section 6050I. Treas. Reg. §1.6050I-1(d).

10/ See I.R.C. §4402.

3. Conclusion.

In summary, Indian tribal governments generally are treated the same as States for Federal tax purposes. Indian tribes, their subdivisions and subjects are permitted to engage in gaming and wagering activities on Indian tribal lands, to the extent permitted under State law and the IGRA. Indian tribes are subject to the same Federal reporting and withholding tax provisions as are States and their political subdivisions in connection with gaming or wagering operations. In addition, individuals and businesses conducting gaming operations on Indian tribal lands are subject to Federal excise taxes on most gaming and wagering winnings.

Sincerely,

A handwritten signature in dark ink, appearing to read "Wayne Zell", written in a cursive style.

Wayne M. Zell

O'CONNOR & HANNAN

ATTORNEYS AT LAW

SUITE 800
1919 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20006-3483

(202) 887-1400

TELEX 89-7420

FAX (202) 466-2198

JOHN J. McDERMOTT

MINNEAPOLIS OFFICE
3800 ILL. STREET
80 SOUTH EIGHTH STREET
MINNEAPOLIS, MN 55402-2254
TEL: 341-3900
FAX: 612-343-1256

MADRID OFFICE
LE BINCORADA 6-31
28023 MADRID, SPAIN
TEL: 341 575 0044 & 357-2251
FAX: (011) 341 577-0759

Critics of gaming on Indian lands have suggested that tribal governmental gaming is more susceptible to penetration by organized crime than gaming outside Indian reservations. The evidence does not support the contention. Indian gaming is but one form of an expanding industry. "Underpinning this vast expansion in legalized gaming is the lottery, a relatively new, once controversial but now widely accepted industry of state government." ^{1/} "Gambling, from state-run lotteries to video poker machines, is popping up all over as cash-hungry states and municipalities look to benefit from an apparently insatiable public." ^{2/}

In 1988, the Congress passed and enacted into law the Indian Gaming Regulatory Act (IGRA) in response to some unanswered questions created by the U.S. Supreme Court's landmark decision, California v. Cabazon Band of Mission Indians, 480 U.S. 202 (1987). Cabazon states that sovereign tribal governments could engage in certain forms of gaming that are merely regulated by the civil law of the surrounding state. The U.S. Supreme Court recognized the interest of the federal government in promoting Indian self-sufficiency, economic development and strong tribal governments. IGRA articulates the congressional policy in part to be "to provide a statutory basis for the regulation of gaming by an Indian tribe adequate to shield it from organized crime and other corrupting influences, to ensure that the Indian tribe is the primary beneficiary of the gaming operation, and to assure that gaming is conducted solely and honestly by both the operator and players;" 25 U.S.C.A. §2702(2). IGRA also established the National Indian Gaming Commission (NIGC or Commission) to meet congressional concerns and to protect Indian gaming as a means for generating tribal revenue. 25 U.S.C.A. §2704.

^{1/} Walsh, Edward, "States Increasingly Betting on Gambling Revenue," The Washington Post, October 8, 1991, pg. A4.

^{2/} Hanson, Gayle, "Gambling: Playing Their Ace to Get Out of the Hole," Insight, June 6, 1993, pg. 8.

The NIGC is empowered by Congress with full investigative powers to interact with law enforcement officials, to obtain confidential information and to involve the Attorney General of the United States to investigate activities associated with Indian gaming. 25 U.S.C.A. §2716. The Commission also has a full range of civil penalties to include the closure of gaming activities found to be in contravention of IGRA and other applicable law. 25 U.S.C.A. §2713(b)(1). Tribal gaming activities must be pursuant to extensive regulation by tribal gaming ordinances and NIGC regulations. 25 U.S.C.A. §2710. NIGC is also charged with conducting or causing to be conducted [by the Federal Bureau of Investigation] such background investigations as are necessary. 25 U.S.C.A. §2706(b)(2).

Each year, Gaming & Wagering Business publishes annual statistics on legalized gaming. Since the inception of IGRA, gaming on Indian lands has been included. "To some extent the Indian experience with IGRA is paralleling the Nevada experience with the Nevada Gaming Act of 1931. In both cases gaming is creating a commercial economy in regions that prior to legalization had none."^{3/} Tribal gaming is but one of many legal forms of gaming. "Today, only Utah and Hawaii do not have some form of gaming. By the turn of the century, 39 states are expected to have legalized casino or riverboat gambling."^{4/}

On March 18, 1992 the Senate Select Committee on Indian Affairs held one of a series of oversight hearings on the implementation of IGRA. The Department of Justice was represented by Paul L. Maloney, senior counsel for Policy, Criminal Division. Mr. Maloney emphatically stated that "[t]he perception in the media and elsewhere that Indian gaming operations are rife with serious criminality, does not stand up under close examination." He went on to testify that the Department of Justice is cognizant that the flow of currency through Indian casinos would require constant and continuous vigilance; however, he stated in answer to a question by the Committee that there were only five active investigations involving alleged organized crime.

^{3/} Christiansen, Eugene Martin, "The 1992 Gross Annual Wager of the U.S. Part II: Revenue." Gaming and Wagering Business, August 15, 1993 - September 14, 1993, pg. 15, col. 1.

^{4/} Hanson, Insight, pg. 8.

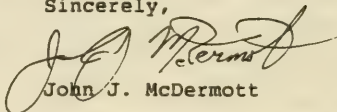
A recent U.S. News & World Report article on Indian Gaming corroborates Mr. Maloney's testimony. "The FBI does not see a 'coordinated, concerted effort' by organized-crime families to raid the Indian gambling industry, says Jim Moody, Chief of the FBI's organized-crime section."^{5/} Moody went on to state that the FBI had "six ongoing investigations -- one more than when Moody testified on Capitol Hill just a few months ago."^{6/}

"The vast majority of the 175 total Indian casinos and bingo halls are honest and clean. Many employ Las Vegas or Atlantic City pros and have vigilant in-house security teams."^{7/} Many of the management companies that operate Indian games are publicly traded and have "passed overlapping layers of government scrutiny."^{8/}

The allegation that Indian gambling is more susceptible to organized crime, or any crime, is simply not supported by existing evidence. To the contrary, it would seem that Indian gambling is no more susceptible to penetration by criminal elements than other forms of state-authorized gaming. In fact, Nevada casino owners now operate many tribal casinos and comply with the same rules as are in force on casinos in New Jersey and Nevada.^{9/}

In summary, we believe that the federal assets allocated to the Department of Justice and the NIGC are sufficient to address criminal intrusion into gaming on Indian lands pursuant to IGRA. Organized crime is not a significant concern for gaming on Indian lands.

Sincerely,



John J. McDermott

^{5/} Popkin, James, "Gambling With the Mob", U.S. News and World Report, August 23, 1993, pg. 31.

^{6/} Popkin, U.S. News and World Report, pg. 31.

^{7/} Popkin, U.S. News and World Report, pg. 31.

^{8/} Popkin, U.S. News and World Report, pg. 31.

^{9/} Hevener, Phil, "Casino Beat", Gaming and Wagering Business, August 15, 1993 - September 14, 1993, pg. 6.

AUG 18 '93 02:19PM NAT'L GOVERNORS' ASSOCIATION

INJ. 001
P. 2/3

**NATIONAL
GOVERNORS'
ASSOCIATION**

Ray Rader
Governor of Colorado
Chairman

Carroll A. Campbell Jr.
Governor of South Carolina
Vice Chairman

Raymond C. Scheppeck
Executive Director

Mail of the Service
444 North Capitol Street
Washington, D.C. 20001-1812
Telephone (202) 624-1900



August 17, 1993

The Honorable Daniel Inouye
Chairman, Committee on
Indian Affairs
United States Senate
Washington, DC 20510

The Honorable John McCain
Vice Chair, Committee on
Indian Affairs
United States Senate
Washington, DC 20510

Dear Senator Inouye and Senator McCain:

The National Governors' Association's annual meeting in Tulsa, Oklahoma, provided the first solid opportunity for Governors to meet and review the current draft proposal, intended to clarify the implementation of the Indian Gaming Regulatory Act of 1988 (IGRA), under discussion between the state and tribal negotiating teams.

A number of Governors reviewed and discussed the negotiation process and the latest draft proposal. While we appreciate the good faith effort on the part of both state and tribal representatives, the Governors remain concerned that the current proposed framework does not adequately address the areas of critical concern expressed by NGA on the implementation of the IGRA.

As Governor Sullivan explained in the July 2 meeting, our threshold issue is to secure clear, game specific language before we can seriously consider a consensus amendment. Clarification of IGRA must provide an objective standard on the scope of gaming, without requiring constant litigation relating to state public policy. For example, under an amended IGRA, a state lottery's use of electronic or video ticket dispensers should not force the state to negotiate with the tribes for video gaming devices.

Also, while we are interested in reducing litigation under IGRA, we are concerned that the current structure still encourages parties to rely on court resolution of conflicts. As we have seen, these court battles are expensive and also cause unnecessary friction between state and tribal governments. Furthermore, we believe an amended IGRA should reaffirm the viability of Settlement Acts currently in effect.

We remain committed to resolving this important issue and recognize that this government to government process encourages broader state-tribal relations. We

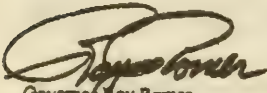
AUG 18 '93 02:19PM NAT'L GOVERNORS' ASSOCIATION

P. 3/3


would like this process to continue, despite the other alternatives available. However, we insist that a resolution be achieved without surrendering our fundamental beliefs about the application of our own state law and the potential that this issue will change the cultural landscape of a state without the full participation of its citizens. We recommend that the state and tribal representatives meet in Albuquerque on August 23 and 24, as planned, to discuss our concerns in more detail and to consider the next steps in this process.

We appreciate the efforts of all of the participants in this negotiation process and we look forward to resolution of these difficult issues.

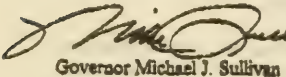
Sincerely,



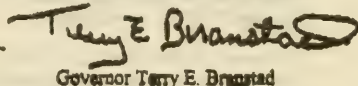
Governor Roy Romer
Chairman
National Governors' Association



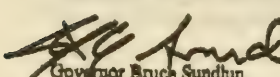
Governor Carroll A. Campbell, Jr.
Vice Chairman
National Governors' Association



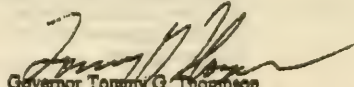
Governor Michael J. Sullivan
Chairman
Task Force on Indian Gaming



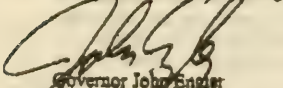
Governor Terry E. Branstad
Task Force on Indian Gaming




Governor Bruce Sundlun
Task Force on Indian Gaming



Governor Tommy G. Thompson
Task Force on Indian Gaming



Governor John Engler
Ex-officio
Task Force on Indian Gaming



Governor Bob Miller
Ex-officio
Task Force on Indian Gaming



3 9999 05983 446 3

read. The first printer to receive the book, the printer who made the first edition, we hope that a number of additional editions, including our first edition, will show the influence of our first edition and the printed book. The book will change the nature of the book without the first edition of the book. We understand that the book will be published in the first edition of the book, and we understand that the book will be published in the first edition of the book, and we understand that the book will be published in the first edition of the book.

We appreciate the efforts of all of the publishers in this book, and we hope that the book will be published in the first edition of the book, and we hope that the book will be published in the first edition of the book, and we hope that the book will be published in the first edition of the book.

Signature

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

[Signature]

James M. Smith
Chairman
Board of Trustees

ISBN 0-16-046382-3



90000



9 780160 463822

